

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

COVER SHEET: APPLICATION FOR PROFESSIONAL COMPENSATION

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In re:))	Chapter 11
Bradlees Stores, Inc., et al.))	Case Nos 95 B 42777 through
Debtors))	95B 42784
-----))	(Judge Burton R. Lifland)
)	
)	Jointly Administered

Type of Application: Interim Final

Name of Applicant:	Zolfo Cooper, LLC
Authorized to Provide Professional Services to:	The Debtors
Date of Order Authorizing Employment:	August 23, 1995

Compensation Sought:	
Application Date:	March 19, 1999
Application Period:	June 23, 1995 - February 2, 1999

	<u>Hours</u>	<u>Amount</u>
Fees:		
Professional	20,270.3	\$5,530,799.00
Expense Reimbursement		<u>491,944.14</u>
Total		<u>\$6,022,743.14</u>

Fees incurred during the period from June 23, 1995 through February 2, 1999 (the "Application Period")

A summary of professional fees incurred during the Application Period, by professional, is set forth below:

<u>Name of Professional</u>	<u>Position with ZC</u>	<u>Years of Experience</u>	<u>Hours Billed</u>	<u>Hourly Rate</u>	<u>Total</u>
<u>Partners:</u>					
S. Cooper	Principal	28	7.6	\$425	\$3,230.00
S. Cooper			1,839.6	\$395	726,642.00
S. Cooper			513.4	\$375	192,525.00
D. Taura	Principal	34	52.3	\$375	19,612.50
M. Flynn	Principal	20	2.0	\$375	750.00
M. Flynn			10.0	\$350	3,500.00
N. Lavin	Principal	32	2.9	\$395	1,145.50
N. Lavin			14.7	\$375	5,512.50
N. Lavin			44.6	\$350	15,610.00
N. Lavin			15.6	\$325	5,070.00
<u>Associates:</u>					
P. Gund	Project Manager	15	140.0	\$375	52,500.00
P. Gund			1,928.8	\$325	626,860.00
P. Gund			2,028.9	\$310	628,959.00
P. Gund			2,235.5	\$290	648,295.00
P. Gund			1,062.1	\$250	265,525.00
K. Golmont	Project Staff	17	1,640.1	\$290	475,629.00
K. Golmont			1,044.5	\$275	287,237.50
S. Kiel	Project Staff	20	1,119.5	\$275	307,862.50
M. Connolly	Project Staff	5	1,525.7	\$225	343,282.50
M. Connolly			2,032.7	\$200	406,540.00
M. Connolly			2,524.5	\$175	441,787.50
M. Winschuh	Project Staff	12	38.0	\$225	8,550.00
C. Davino	Project Staff	5	4.5	\$175	787.50
D. Goedkoop	Project Staff	2	36.8	\$150	5,520.00
D. Goedkoop			218.0	\$140	30,520.00
M. Leonard	Project Staff	2	139.3	\$150	20,895.00
P. Mennona	Project Staff	2	6.0	\$150	900.00
D. DeNoyer	Project Staff	1	3.5	\$130	455.00
J. Way	Project Staff	2	39.2	\$130	5,096.00
Total Professional Hours and Fees			<u>20,270.3</u>		<u>\$5,530,799.00</u>
Average Blended Hourly Rate					<u>272.85</u>

Is this a first application? Yes ___ No X

Prior Fee Application Information (Complete if answer to above question is no):

<u>Date Filed</u>	<u>Period Covered</u>	<u>Total Fees and Expenses</u>	
		<u>Requested</u>	<u>Allowed</u>
October 20, 1995	June 23 through September 30, 1995	\$520,163.26	\$520,163.26
January 22, 1996	October 1 through December 31, 1995	615,325.26	615,325.26
April 22, 1996	January 1 through March 31, 1996	658,997.59	658,997.59
July 22, 1996	April 1 through June 30, 1996	573,231.57	573,231.57
October 21, 1996	July 1 through September 30, 1996	572,218.95	572,218.95
January 21, 1997	October 1 through December 31, 1997	421,334.95	421,334.95
May 30, 1997	January 1, through April 30, 1997	468,394.02	468,394.02
September 30, 1997	May 1, through August 31, 1997	413,897.24	413,897.24
January 30, 1998	September 1, through December 31, 1997	505,603.15	505,603.15
June 1, 1998	January 1, through April 30, 1998	475,140.01	474,866.35
September 30, 1998	May 1, through August 31, 1998	443,709.56	443,709.56
January 29, 1999	September 1, through December 31, 1998	293,432.05	293,432.05
	Totals	<u>\$5,961,447.61</u>	<u>\$5,961,173.15</u>
	Aggregate Fees and Expenses Paid to Date (1)		<u>\$5,666,969.25</u>

(1) The aggregate fees and expenses paid to date do not include any payments received for the period of January 1, 1999 through February 2, 1999 or the Post-Confirmation period of February 2, 1999 - March 19, 1999.

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

-----))	Case Nos.: 95 B 42777 through
)	95B 42784
)	
In re:)	In Proceedings for a
)	Reorganization Under Chapter
Bradlees Stores Inc., et al.)	11 of the Bankruptcy Code
)	
Debtors)	Jointly Administered
)	
-----))	

**AMENDED FINAL APPLICATION OF ZOLFO COOPER, LLC
FOR ALLOWANCE OF FINAL COMPENSATION FOR SERVICES RENDERED
AS SPECIAL FINANCIAL ADVISORS AND BANKRUPTCY CONSULTANTS
TO THE DEBTORS
AND FOR REIMBURSEMENT OF EXPENSES UNDER 11 U.S.C. § 330(a)**

TO THE HONORABLE BURTON R. LIFLAND,
UNITED STATES BANKRUPTCY JUDGE:

1. On June 23, 1995 (the "Filing Date"), Bradlees Stores, Inc. (also referred to herein as "Bradlees"), the Debtor, and all of its wholly-owned subsidiaries (Collectively, the "Debtors") filed voluntary petitions for reorganization under chapter 11 of Title 11 of the United States Code, 11 U.S.C. § 101 et seq. (the "Bankruptcy Code"). Since the Filing Date, the Debtors have continued to operate their businesses and manage their properties as debtors-in-possession pursuant to Bankruptcy Code §§ 1107(a) and 1108.

2. The Debtors are very large, complex enterprises, principally engaged in businesses involving the ownership, operation and management of 101 discount retail department stores as well as certain related businesses, and real estate interests with operations located throughout the Northeastern United States. The Debtors required the services of experienced Special Financial Advisors and Bankruptcy Consultants to assist them in restructuring the business and developing, negotiating and confirming plans of reorganization. Because of

Zolfo Cooper, LLC's ("ZC" or "Applicant") expertise and experience at a national level in providing reorganization, accounting and a broad range of consulting services to Debtors and other parties in interest in financially complex troubled situations, the Debtors applied to the Bankruptcy Court to authorize ZC's retention as Special Financial Advisors and Bankruptcy Consultants to the Debtors.

3. The Bankruptcy Court entered an order (the "Retention Order") on August 23, 1995, nunc pro tunc to June 30, 1995 authorizing the retention of ZC to:

- (a) Advise and assist management in organizing the Debtors' resources and activities so as to effectively and efficiently plan, coordinate and manage the chapter 11 process and communicate with customers, lenders, suppliers, employees, shareholders and other parties in interest;
- (b) Assist management in designing and implementing programs to manage or divest assets, improve operations, reduce costs and restructure as necessary with the objective of rehabilitating the business;
- (c) Advise the Debtors concerning interfacing with Official Committees, other constituencies and their professionals, including the preparation of financial and operating information required by such parties and/or the Bankruptcy Court;
- (d) Advise and assist management in the development of a Plan or Plans of Reorganization and underlying Business Plan, including the related assumptions and rationale, along with other information to be included in the Disclosure Statement;
- (e) Advise and assist the Debtors in forecasting, planning, controlling and other aspects of managing cash;
- (f) Advise the Debtors with respect to resolving disputes and otherwise managing the claims process;
- (g) Advise and assist the Debtors in negotiating a Plan or Plans of Reorganization with the various creditor and other constituencies;
- (h) As requested, render expert testimony concerning the feasibility of a Plan or Plans of Reorganization and other matters that may arise in the case; and
- (i) Provide such other services as may be required by the Debtors.

A copy of the Order authorizing the retention of ZC as Special Financial Advisors and Bankruptcy Consultants to the Debtors, along with the related application to the Bankruptcy Court for such retention authority and the supporting Affidavit of Stephen F. Cooper, is attached as Exhibit A. The Retention Order authorized the Debtor to pay ZC in accordance with Orders of the Court.

Certification

4. The affiant, a principal in the firm of ZC, as the professional designated by the Applicant with the responsibility for compliance with the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases, (the "Guidelines"), certifies that except as otherwise noted elsewhere herein:

- 1)
 - a) He has read this application,
 - b) To the best of his knowledge, information and belief, formed after reasonable inquiry:
 - i. This application complies with the mandatory provisions of the Guidelines,
 - ii. The fees and out-of-pocket expenses are billed in accordance with the billing practices described below, and except as otherwise indicated therein fall within the Guidelines, and
 - iii. Except to the extent prohibited by the Guidelines, the fees and out-of-pocket expenses sought herein have been billed at rates and in accordance with practices customarily employed by the Applicant and accepted by the Applicant's clients.
- 2) ZC has submitted a copy of this amended final application for final allowance of fees and reimbursement of out-of-pocket expenses to the Debtors for review and approval. As of the date of the filing of this application, the Debtors have not indicated that they have reviewed and approved this application. If such approval is obtained prior to the date of the hearing, the Applicant will file an affidavit stating that this application has been reviewed and approved by the Debtors,
- 3) Each of the Debtors, the Trustee and the Chair of each Official Committee have been provided with previous applications, a statement of fees for services and out-of-pocket expenses accrued during each month and containing a list of professionals providing services; their respective billing rates; the aggregate hours expended by each such person and an explanation of ZC's billing

practices. In some instances the statements were not provided within 20 days of the month end. Such information for the period of January 1, 1999 through February 2, 1999 has been provided in conjunction with this Amended Final Fee Application.

- 4) The Debtors, the Trustee and the Chair of each Official Committee has each been provided a copy of this amended final application for final allowance of fees and reimbursement of out-of-pocket expenses in accordance with the time frame specified by this Court. However; a copy of this amended final application for final allowance of fees and reimbursement of out-of-pocket expenses has not been provided to the Debtors, the Trustee and the Chair of each Official Committee at least ten days prior to the date for filing fee applications set by the Bankruptcy Court.
- 5) With respect to expenses and reimbursable services incurred for which reimbursement is sought, ZC:
 - a) Does not make a profit;
 - b) Does not include in the amount for which reimbursement is sought the amortization of the cost of any investment, equipment or capital outlay; and
 - c) Seeks reimbursement of services purchased from or contracted for with a third-party vendor only in the amount billed to the Applicant by and paid or to be paid by the Applicant to the vendor.

The affiant presently intends to attend the fee hearing; however, if he is unable to do so, he will arrange for a member of the project team, as appropriate, authorized to speak for the firm, to be present.

Relief Requested

This application is made for final allowance of compensation for services rendered by ZC as Special Financial Advisors and Bankruptcy Consultants to the Debtors and for reimbursement of necessary out-of-pocket expenses actually incurred during the period from June 23, 1995 through February 2, 1999 (the "Application Period"). ZC filed twelve previous applications for allowance of interim compensation and reimbursement of out-of-pocket expenses during the Application Period.

ZC provided an aggregate of 20,270.3 hours of services as Special Financial Advisors and Bankruptcy Consultants to the Debtors for professional services, thereby incurring fees of

\$5,530,799.00 in the aggregate for professional services, and out-of-pocket expenses of \$491,944.14.

The hours expended and the professional fees and out-of-pocket expenses incurred by month during the Application Period are summarized as follows:

<u>Month/Year</u>	<u>Hours</u>	<u>Prof. Fees</u>	<u>Expenses</u>	<u>Total Fees & Expenses</u>
1st Application Period				
June/July 1995	501.6	\$144,865.00	\$11,435.72	\$156,300.72
August 1995	573.2	155,168.50	16,393.50	171,562.00
September 1995	<u>610.5</u>	<u>176,392.50</u>	<u>15,908.04</u>	<u>192,300.54</u>
SUBTOTAL	<u>1,685.3</u>	<u>\$476,426.00</u>	<u>\$43,737.26</u>	<u>\$520,163.26</u>
2nd Application Period				
October 1995	829.9	\$236,617.50	\$20,380.77	\$256,998.27
November 1995	646.9	177,337.50	22,483.20	199,820.70
December 1995	<u>579.6</u>	<u>143,602.50</u>	<u>14,903.79</u>	<u>158,506.29</u>
SUBTOTAL	<u>2,056.4</u>	<u>\$557,557.50</u>	<u>\$57,767.76</u>	<u>\$615,325.26</u>
3rd Application Period				
January 1996	824.5	\$220,748.50	\$23,212.18	\$243,960.68
February 1996	699.2	186,483.50	18,121.06	204,604.56
March 1996	<u>737.6</u>	<u>194,890.50</u>	<u>15,541.85</u>	<u>210,432.35</u>
SUBTOTAL	<u>2,261.3</u>	<u>\$602,122.50</u>	<u>\$56,875.09</u>	<u>\$658,997.59</u>
4th Application Period				
April 1996	651.7	\$172,675.50	\$19,454.71	\$192,130.21
May 1996	699.1	189,351.50	11,972.50	201,324.00
June 1996	<u>608.7</u>	<u>165,392.00</u>	<u>14,385.36</u>	<u>179,777.36</u>
SUBTOTAL	<u>1,959.5</u>	<u>\$527,419.00</u>	<u>\$45,812.57</u>	<u>\$573,231.57</u>
5th Application Period				
July 1996	687.4	\$193,827.50	\$14,700.41	\$208,527.91
August 1996	701.6	190,105.00	13,596.10	203,701.10
September 1996	<u>550.1</u>	<u>145,386.00</u>	<u>14,603.94</u>	<u>159,989.94</u>
SUBTOTAL	<u>1,939.1</u>	<u>\$529,318.50</u>	<u>\$42,900.45</u>	<u>\$572,218.95</u>
6th Application Period				
October 1996	553.8	\$146,310.50	\$12,119.57	\$158,430.07
November 1996	442.4	115,415.50	9,888.83	125,304.33
December 1996	<u>472.7</u>	<u>127,097.00</u>	<u>10,503.55</u>	<u>137,600.55</u>
SUBTOTAL	<u>1,468.9</u>	<u>\$388,823.00</u>	<u>\$32,511.95</u>	<u>\$421,334.95</u>
7th Application Period				
January 1997	418.4	\$112,063.50	\$11,708.81	\$123,772.31
February 1997	381.1	104,091.50	8,727.40	112,818.90
March 1997	370.4	96,008.50	8,158.41	104,166.91
April 1997	<u>454.9</u>	<u>117,187.50</u>	<u>10,448.40</u>	<u>127,635.90</u>
SUBTOTAL	<u>1,624.8</u>	<u>\$429,351.00</u>	<u>\$39,043.02</u>	<u>\$468,394.02</u>

<u>Month/Year</u>	<u>Hours</u>	<u>Prof. Fees</u>	<u>Expenses</u>	<u>Total Fees & Expenses</u>
8th Application Period				
May 1997	508.1	\$121,087.00	\$11,505.29	\$132,592.29
June 1997	398.5	103,655.00	10,460.93	114,115.93
July 1997	265.1	75,754.00	6,825.40	82,579.40
August 1997	<u>275.2</u>	<u>78,141.00</u>	<u>6,468.62</u>	<u>84,609.62</u>
SUBTOTAL	<u>1,446.9</u>	<u>\$378,637.00</u>	<u>\$35,260.24</u>	<u>\$413,897.24</u>
9th Application Period				
September 1997	322.0	\$89,078.00	\$8,871.80	\$97,949.80
October 1997	669.1	160,614.50	15,676.98	176,291.48
November 1997	459.0	120,530.00	10,629.84	131,159.84
December 1997	<u>366.0</u>	<u>93,625.00</u>	<u>6,577.03</u>	<u>100,202.03</u>
SUBTOTAL	<u>1,816.1</u>	<u>\$463,847.50</u>	<u>\$41,755.65</u>	<u>\$505,603.15</u>
10th Application Period				
January 1998	415.0	\$119,178.00	\$9,519.96	\$128,697.96
February 1998	378.2	106,617.00	9,603.41	116,220.41
March 1998	361.8	97,590.00	9,438.93	107,028.93
April 1998	<u>390.1</u>	<u>113,324.50</u>	<u>9,868.21</u>	<u>123,192.71</u>
SUBTOTAL	<u>1,545.1</u>	<u>\$436,709.50</u>	<u>\$38,430.51</u>	<u>\$475,140.01</u>
11th Application Period				
May 1998	378.8	\$106,740.50	\$8,489.79	\$115,230.29
June 1998	438.3	125,054.50	9,191.91	134,246.41
July 1998	313.3	90,630.00	7,933.25	98,563.25
August 1998	<u>317.5</u>	<u>90,523.50</u>	<u>5,146.11</u>	<u>95,669.61</u>
SUBTOTAL	<u>1,447.9</u>	<u>\$412,948.50</u>	<u>\$30,761.06</u>	<u>\$443,709.56</u>
12th Application Period				
September 1998	368.1	\$109,052.50	\$8,409.62	\$117,462.12
October 1998	162.2	52,800.50	5,800.59	58,601.09
November 1998	188.0	61,310.00	4,019.58	65,329.58
December 1998	<u>143.4</u>	<u>47,291.00</u>	<u>4,748.26</u>	<u>52,039.26</u>
SUBTOTAL	<u>861.7</u>	<u>\$270,454.00</u>	<u>\$22,978.05</u>	<u>\$293,432.05</u>
TOTAL 1 st - 12 th App. Period	<u>20,113.0</u>	<u>\$5,473,614.00</u>	<u>\$487,833.61</u>	<u>\$5,961,447.61</u>
Fees and Expenses for which No Prior Fee Applications were Filed				
January 1999	<u>157.3</u>	<u>\$57,185.00</u>	<u>\$4,110.53</u>	<u>\$61,295.53</u>
TOTAL Fees and Expenses Incurred	<u>20,270.3</u>	<u>\$5,530,799.00</u>	<u>\$491,944.14</u>	<u>\$6,022,743.14</u>
Less: Amounts previously disallowed	(0.0)	(0.00)	(274.46)	(274.46)
Plus: Amounts previously disallowed and applied for in this Final Fee Application	<u>0.0</u>	<u>0.00</u>	<u>274.46</u>	<u>274.46</u>
TOTAL	<u>20,270.3</u>	<u>\$5,530,799.00</u>	<u>\$491,944.14</u>	<u>\$6,022,743.14</u>

5. On October 20, 1995, ZC filed its first application for allowance of interim compensation and out-of-pocket expenses covering the period June 23, 1995 through and including September 30, 1995. ZC had requested fees of \$476,426.00 and out-of-pocket expenses of \$43,737.26, \$520,163.26 in total. The Bankruptcy Court entered an order awarding ZC allowance of interim compensation in the amount of \$404,962.10 in fees and \$43,737.26 for out-of-pocket expenses, and deferred for further consideration at the final fee hearing a holdback of 15% of fees, or \$71,463.90.

6. On January 22, 1996, ZC filed its second application for allowance of interim compensation and out-of-pocket expenses covering the period October 1, 1995 through and including December 31, 1995. ZC had requested fees of \$557,557.50 and out-of-pocket expenses of \$57,767.76, \$615,325.26 in total. The Bankruptcy Court entered an order awarding ZC allowance of interim compensation in the amount of \$501,801.75 in fees and \$57,767.76 for out-of-pocket expenses, and deferred for further consideration at the final fee hearing a holdback of 10% of fees, or \$55,755.75.

7. On April 22, 1996, ZC filed its third application for allowance of interim compensation and out-of-pocket expenses covering the period January 1, 1996 through and including March 31, 1996. ZC had requested fees of \$602,122.50 and out-of-pocket expenses of \$56,875.09, or \$658,997.59 in total. The Bankruptcy Court entered an order awarding ZC allowance of interim compensation in the amount of \$541,910.25 in fees and \$56,875.09 for out-of-pocket expenses, and deferred for further consideration at the final fee hearing a holdback of 10% of fees, or \$60,212.25.

8. On July 22, 1996, ZC filed its fourth application for allowance of interim compensation and out-of-pocket expenses covering the period April 1, 1996 through and including June 30, 1996. ZC had requested fees of \$527,419.00 and out-of-pocket expenses of \$45,812.57, or \$573,231.57 in total. The Bankruptcy Court entered an order awarding ZC allowance of

interim compensation in the amount of \$474,677.10 in fees and \$45,812.57 for out-of-pocket expenses, and deferred for further consideration at the final fee hearing a holdback of 10% of fees, or \$52,741.90.

9. On October 21, 1996, ZC filed its fifth application for allowance of interim compensation and out-of-pocket expenses covering the period July 1, 1996 through and including September 30, 1996. ZC had requested fees of \$529,318.50 and out-of-pocket expenses of \$42,900.45, or \$572,218.95 in total. The Bankruptcy Court entered an order awarding ZC allowance of interim compensation in the amount of \$529,318.50 in fees and \$42,900.45 for out-of-pocket expenses.

10. On January 21, 1997, ZC filed its sixth application for allowance of interim compensation and out-of-pocket expenses covering the period October 1, 1996 through and including December 31, 1996. ZC had requested fees of \$388,823.00 and out-of-pocket expenses of \$32,511.95, or \$421,334.95 in total. The Bankruptcy Court entered an order awarding ZC allowance of interim compensation in the amount of \$388,823.00 in fees and \$32,511.95 for out-of-pocket expenses.

11. On May 30, 1997, ZC filed its seventh application for allowance of interim compensation and out-of-pocket expenses covering the period January 1, 1997 through and including April 30, 1997. ZC had requested fees of \$429,351.00 and out-of-pocket expenses of \$39,043.02, or \$468,394.02 in total. The Bankruptcy Court entered an order awarding ZC allowance of interim compensation in the amount of \$429,351.00 in fees and \$39,043.02 for out-of-pocket expenses.

12. On September 30, 1997, ZC filed its eighth application for allowance of interim compensation and out-of-pocket expenses covering the period May 1, 1997 through and including August 31, 1997. ZC had requested fees of \$378,637.00 and out-of-pocket expenses of \$35,260.24, or \$413,897.24 in total. The Bankruptcy Court entered an order

awarding ZC allowance of interim compensation in the amount of \$378,637.00 in fees and \$35,260.24 for out-of-pocket expenses.

13. On January 30, 1998, ZC filed its ninth application for allowance of interim compensation and out-of-pocket expenses covering the period September 1, 1997 through and including December 31, 1997. ZC had requested fees of \$463,847.50 and out-of-pocket expenses of \$41,755.65, or \$505,603.15 in total. The Bankruptcy Court entered an order awarding ZC allowance of interim compensation in the amount of \$463,847.50 in fees and \$41,755.65 for out-of-pocket expenses.

14. On June 1, 1998, ZC filed its tenth application for allowance of interim compensation and out-of-pocket expenses covering the period January 1, 1998 through and including April 30, 1998. ZC had requested fees of \$436,709.50 and out-of-pocket expenses of \$38,430.51, or \$475,140.01 in total. The Bankruptcy Court entered an order awarding ZC allowance of interim compensation in the amount of \$436,709.50 in fees and \$38,156.05 for out-of-pocket expenses.

15. On September 30, 1998, ZC filed its eleventh application for allowance of interim compensation and out-of-pocket expenses covering the period May 1, 1998 through and including August 31, 1998. ZC had requested fees of \$412,948.50 and out-of-pocket expenses of \$30,761.06, or \$443,709.56 in total. The Bankruptcy Court entered an order awarding ZC allowance of interim compensation in the amount of \$412,948.50 in fees and \$30,761.06 for out-of-pocket expenses.

16. On January 29, 1998, ZC filed its twelfth application for allowance of interim compensation and out-of-pocket expenses covering the period September 1, 1998 through and including December 31, 1998. ZC had requested fees of \$270,454.00 and out-of-pocket expenses of \$22,978.05, or \$293,432.05 in total. The Bankruptcy Court entered an order

awarding ZC allowance of interim compensation in the amount of \$270,454.00 in fees and \$22,978.05 for out-of-pocket expenses.

17. During the period from January 1, 1999 through February 2, 1999, ZC has provided 157.3 hours of professional services as Special Financial and Bankruptcy Consultants to the Debtors, thereby incurring fees of \$57,185.00 for professional services and out-of-pocket expenses of \$4,110.53, inclusive of out-of-pocket expenses that had been incurred in an earlier period but had not been billed to the Applicant in time to be included in the Twelfth application for allowance of interim compensation and reimbursement of out-of-pocket expenses, and exclusive of out-of-pocket expenses that had been incurred during the January 1, 1999 through February 2, 1999 period but had not been billed to the Applicant in time to be included in this Amended Final application. ZC has not filed a previous application with this Court for payment of professional fees and expenses incurred during the period of January 1, 1999 through February 2, 1999, and therefore requests, as part of this amended final application, for the approval of professional fees and expenses incurred during this period.

18. Copies of the invoices are attached as Exhibit "B" to this amended final application for allowance of final compensation and reimbursement of out-of-pocket expenses for the period from January 1, 1999 through February 2, 1999. Accompanying each invoice is: a) a list of professionals their respective billing rates; b) the aggregate hours expended by each professional; c) a general description of the services rendered; d) a detailed description of the services performed by each professional, organized by debtor, by discrete project, by day; e) a reasonably detailed breakdown of the disbursements incurred; and f) an explanation of ZC's billing practices. Invoices supporting the periods prior to January 1, 1999 are included in the interim applications previously filed with this Court.

19. A summary analysis of the expenses incurred showing the amount incurred in each expense category, in each interim period during the Application Period is attached as Exhibit "C" to this amended final application for allowance of compensation and reimbursement of

out-of-pocket expenses. This summary analysis is supported by detailed expense descriptions for the period showing, by professional, the amount incurred in each expense category. Detailed expense descriptions supporting the periods prior to January 1, 1999 are included in the interim applications previously filed with this Court.

20. A recap of professional fees and out-of-pocket expenses invoiced from the Filing Date through the end of the Application Period, showing the amounts incurred, the amounts held back pursuant to the terms of the Retention Orders for Allowance of Professional Fees and Expenses pending final application to the Bankruptcy Court, the amounts previously awarded by the Bankruptcy Court, the amounts paid by the Debtors to the date of this amended final application, and the amounts unpaid are attached as Exhibit "D" to this amended final application for allowance of compensation and reimbursement of out-of-pocket expenses.

21. During the Application Period ZC submitted twelve budgets, covering the period from August 23, 1995 through December 31, 1999. ZC's services and budget estimates were reviewed and approved in advance by the Debtors, the Chair of each Official Committee, and the U.S. Trustee. A summary of actual hours expended by professional by project and fees incurred during the Application Period is attached as Exhibit "E".

Billing Practices

22. It is ZC's customary practice to charge fees based on actual hours expended to perform its services at standard hourly rates established for each principal and employee as adjusted annually. The Firm does not bill clients for travel time unless work is performed en route. Time entries are recorded in six minute increments. Fees reflect economies resulting from the use of paraprofessional and support personnel to develop schedules and analyses, input computer data, perform research, work on fee applications, and other activities necessary to the efficient administration of a case. So as not to burden clients who do not require such services, ZC does not include support services in the firm's overhead for the purpose of establishing billing rates. Billing rates are generally representative of prevailing market rates,

as awarded by other Courts in similar circumstances, for practitioners providing such services at a national level who have comparable skill and experience.

ZC charges its clients only for reasonably incurred, out-of-pocket expenses associated with an assignment. Except as necessary to comply with the Guidelines for allowance of professional fees and expenses, all such expense billings are in accordance with the Firm's customary practices. ZC personnel stay at convenient, quality hotels and eat at quality restaurants; ZC does not incur costs for luxury accommodations or deluxe meals and when prohibited by applicable administrative order does not bill clients for first class airfare. Except as follows, all expenses are billed at actual cost, exclusive of amortization of the cost of any investment, equipment or capital outlay: (i) internal charges for outgoing out-of-town facsimile transmissions are \$1.25 for domestic transmissions (ZC has reduced its facsimile charges for the estimated amount of local facsimiles) and \$2.50 for foreign transmissions and (ii) internal photocopy charges are \$.20 per page.

ZC maintains contemporaneous records of the time expended and out-of-pocket expenses incurred in support of its billings for services. All such records are located in the Firm's offices and are available for inspection, subject to certain matters contained therein that may be privileged.

Staffing and Approach

23. ZC is a nationally recognized independent financial advisory and consulting firm specializing in advising debtors, creditors' committees, investors and court-appointed officials in formal Bankruptcy proceedings and out-of-court workouts. A substantial portion of ZC's work is advisory and involves ZC's professionals counseling senior client personnel regarding high-level strategic and tactical issues. Consistent with its relatively unique practice, ZC's staff consists primarily of seasoned professionals. A typical new employee at ZC is a former "Big 6" partner or manager with a minimum of 5 and frequently more than 7 years of experience. Indeed, more than 50% of ZC's professionals have in excess of ten years of relevant business experience. The firm's internal structure and work approach are designed around its unusual staff composition of senior professionals. ZC staff professionals do not

have titles; the title principal at ZC is a distinction of ownership, not of professional proficiency. Individual staff members are assigned project manager or project staff roles, to bring to bear their particular talents and experience in view of the specific requirements of the engagement. ZC provides high value for its fees, efficiently leveraging its experienced professionals by directing client personnel to perform routine tasks.

Stephen F. Cooper, CPA, CMA, CMC, CIRA, the principal in charge of this engagement, has over 28 years of experience, primarily in working with troubled companies. He has gained significant experience in production, marketing and sales as well as finance across a broad industry base. A graduate of Occidental College and a Wharton MBA, Mr. Cooper enjoys a national reputation as an effective problem solver capable of forging consensual coalitions among parties with disparate economic interests. He is responsible for the overall design of the firm's services and direction of the engagement team. Mr. Cooper is assisted by Philip Gund, who, as the project manager, is responsible for all aspects of engagement administration and coordination of the efforts of the assigned staff. A CPA, CIRA, Mr. Gund has 16 of years of experience, including 10 years advising troubled companies.

Integral to any team approach, and essential to minimize misunderstandings and assure continuity of service in a large, multifaceted case such as this one, are conferences, meetings and worksessions among the members of the engagement team. Ongoing communications and review of work product facilitate the sharing of information and assure continued alignment with established priorities and objectives, thereby reducing the time expended and avoiding duplicative efforts. ZC communicates continually with its clients on the status and results of its work efforts and interfaces with other professionals to improve coordination and ensure that it does not duplicate services rendered by other professionals retained in the case.

Summary of Services Provided and Results Achieved

24. The Debtors have successfully emerged from chapter 11 as a \$1.3 billion regional discount retailer, employing more than 15,000 individuals and operating 101 retail stores with a projected 1999 EBITDA of approximately \$36 million. After approximately three and a half years in chapter 11, marked by numerous disputes among the parties in interest (that resulted in a management change eighteen months into the case), the Debtors were able to coalesce the diverse interests of the various constituencies and develop and confirm a consensual plan of reorganization. In contrast to one of the Debtors principal regional competitors, Caldor entered chapter 11 just a few months after the Debtors, and was forced to liquidate in January 1999.

At the time of the filing, the Debtors had a tremendous amount of work to accomplish, including:

- Stabilizing a business in a fiercely competitive environment which had been losing a substantial amount of cash during the period immediately prior to and following the filing;
- Assuring that the operations functioned with minimal interruptions from the chapter 11;
- Obtaining DIP financing and maintaining trade credit to assure that the Company would receive the necessary inventory required to sustain operations;
- Analyzing individual store operating performance in order to identify the core locations for the ongoing business;
- Analyzing the overhead structure of the organization to identify opportunities for cost reductions and operating efficiencies;
- Developing and implementing a long term business plan with the detailed strategies and tactics necessary to return the Company to profitability;
- Developing and negotiating a plan of reorganization with its creditor constituencies, each having diverse interests.

During the chapter 11 cases, ZC was instrumental in organizing and coordinating the Debtors resources around two major areas; 1) the organization of the chapter 11 process and 2) a review of the operations of the Debtors. The purposes of focusing the Debtors resources on these two parallel paths was to efficiently and effectively manage the chapter 11 process while concurrently focusing on improving the operations and returning the Debtors to a viable business.

With ZC's assistance, direction, creativity, organization and focus on the successful restructuring of the business, the Debtors were able to turnaround the operations and confirm a consensual plan of reorganization. Specifically, ZC:

- Organized the Debtors resources around the chapter 11 process;
- Assisted the Debtors in identifying and implementing \$100 million of overhead reductions;
- Assisted the Debtors in identifying unprofitable stores, which resulted in the closing of 35 stores (more than 25% of the chain);
- Assisted the Debtors with the analysis, negotiation and ultimate disposition of numerous executory contracts including IBM, Comdisco, Bank of Tokyo, Ambassador, Vornado Master Lease Agreement and several other real estate and non real estate executory contracts that resulted in either (i) substantial savings to the Debtors, (ii) the elimination of material liabilities, or (iii) maximized the value of the assets of the estate;
- Assisted the Debtors with the analysis and negotiation of several asset sales, generating in excess of \$30 million;
- Assisted the Debtors with the analysis of project Zebra¹ which was reevaluated on numerous occasions during these chapter 11 cases;
- Assisted the Debtors in communicating with the various creditor constituencies;

¹ Project Zebra work activities refer to services rendered relating to efforts to sell the assets of the Company as a going concern and services rendered relating to the evaluation of a potential merger transaction.

- Assisted the Debtors with the preparation of its detailed business plans, the last of which was used as the foundation for the development of the plan of reorganization and reflected an improvement in EBITDA of more than \$100 million from fiscal 1995;
- Assisted the Debtors with the development of a recovery analysis which ultimately served as the basis for distributions under the plan of reorganization;
- Assisted the Debtors in organizing and analyzing the numerous claims filed as well as estimating claims for distribution purposes;
- Assisted the Debtors in obtaining DIP and exit financing;
- Assisted the Debtors with the development and preparation of the plan of reorganization, disclosure statement, and registration statement.

The overall contribution that ZC made to these successful chapter 11 cases was the efficient and effective organization, direction, creativity and assistance provided the Debtors in the chapter 11 process and the review of its operations. As a result of ZC's efforts, the Debtors successfully restructured its business both operationally and financially, the goals intended by the Bankruptcy code.

Listed below are the project areas that were addressed by ZC during the chapter 11 cases along with the respective hours and fees incurred by project.

<u>Project</u>	<u>Description</u>	<u>Hours</u>	<u>Fees</u>	<u>Percentage</u>
1	Chapter 11 Process	1,386.0	\$421,797.50	7.6%
2	Business Operations	3,317.5	919,456.50	16.6%
3	Case Administration	4,452.9	1,208,729.50	21.9%
4	Business Plan Development	630.2	174,028.00	3.1%
5	POR Development and Project Zebra	4,538.4	1,261,763.50	22.8%
6	Cash Management	2.7	799.00	0.0%
7	Testimony	14.4	4,176.00	0.1%
8	Executory Contracts	355.0	102,752.00	1.9%
9	Store Operations and Lease Review	1,240.8	334,874.50	6.1%
10	Claims Administration	398.9	115,568.00	2.1%
11	Financing	0.0	0.00	0.0%
12	Accounting and Auditing	16.5	4,769.00	0.1%
13	Tax Issues	0.5	125.00	0.0%
14	Valuation	0.0	0.00	0.0%
15	Corporate Financing	0.0	0.00	0.0%
16	Litigation and Relief from Stay Proceedings	92.2	25,834.00	0.5%
17	Special Projects	2,832.7	720,896.50	13.0%
18	Engagement Administration	991.6	235,230.00	4.3%
	Total	<u>20,270.3</u>	<u>\$5,530,799.00</u>	<u>100.0%</u>

Summarized below is a description of the services provided by ZC to the Debtors during the pendency of these chapter 11 cases in each significant service area along with a brief description of the obstacles encountered and results achieved.

Project #1 - Chapter 11 Process: ZC advised and assisted the Debtors with organizing and managing its resources in order to effectively and efficiently manage the chapter 11 process. Specifically, ZC developed and maintained a comprehensive work plan of the various chapter 11 activities which enabled the Debtors to coordinate and manage its resources, including its professionals, during the pendency of these cases and avoid duplication of efforts. At the outset of these chapter 11 cases, ZC formed a restructuring team, consisting of senior management and its bankruptcy professionals, responsible for the review of all issues related to the proceeding as well as the coordination of the Debtors resources. This team met regularly throughout the chapter 11. ZC's assistance included planning and coordinating the various bankruptcy related matters, allowing the Debtors to expediently address case issues and maintain their focus on restructuring the business.

Additionally, ZC worked daily with certain members of senior management to address and comment on motions filed or to be filed in these Chapter 11 cases as well as to resolve daily issues raised during the pendency of these cases.

This project area also includes time incurred maintaining a detailed work plan to coordinate and efficiently manage ZC's work activities as well as to meet and review pertinent case issues and results from ZC's analyses and work activities.

ZC's activities included advising and assisting the Debtors to plan and coordinate its resources to address various chapter 11 issues including: claims processing and reconciliation; reclamation claims; employee matters and retention issues; exclusivity; real estate matters; plan of reorganization and disclosure statement development; claims estimation; recovery