

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re: §
Metals USA, Inc., *et al.*, § Jointly Administered Case No. 01-42530-H4-11
§
§ Case Nos. 01-42530-H4-11 through 01-42574-H4-11
§
Debtors. § Chapter 11

**THIRD AND FINAL APPLICATION FOR ALLOWANCE OF
FEES RENDERED BY FTI CONSULTING, INC., AS
RESTRUCTURE ADVISORS TO DEBTORS
FROM AUGUST 1, 2002 THROUGH OCTOBER 31, 2002**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

Comes now FTI Consulting, Inc. (“Applicant”), Restructure Advisors for Metals USA, Inc. (the “Debtors”), and files this its Third and Final Application for Allowance of Fees Rendered by Restructure Advisors for the Debtors (“Application”). This Application covers services rendered on behalf of the Debtors from August 1, 2002 through October 31, 2002. Applicant seeks professional fees and expenses in the amounts of \$377,432.50 and \$5,330.44, respectively. In accordance with the Order Granting Debtors’ Motion to Establish Procedures for Interim Compensation Professionals, Applicant has been paid \$226,616.74. After accounting for fees and expenses collected to date, the amount outstanding from this Fee Application, less any payments made in accordance with this Compensation Order, is \$156,146.20.

BACKGROUND

1. On November 14, 2001, the Debtors filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas.

2. The Applicant has filed an Application with the United States Bankruptcy Court for the Southern District of Texas authorizing the Debtor’s retention of Applicant, whereby indicating the following:

- the Applicant seeks to perform financial advisory services for the Debtors in this Chapter 11 case;
- the Debtors understand the Applicant has a wealth of experience in providing accounting, tax and financial advisory services in restructurings and reorganizations;
- the Applicant was engaged on October 15, 2001 to provide financial expertise in order to assist with a refinancing and aid with the reorganization of the Debtor's business;
- and that the employment of the Applicant as Restructure Advisors to the Debtors is necessary to enable the Debtors to maximize the value of the Debtor's estates and to reorganize successfully.

3. A copy of Applicant's initial Application is attached hereto and incorporated herein by reference as **Exhibit "A"**.

4. On August 30, 2002 PricewaterhouseCoopes LLP sold its Business Recovery Services division to FTI Consulting, Inc. A copy of the application to transfer this case from PricewaterhouseCoopers LLP to FTI Consulting, Inc. (the "FTI Application") is attached hereto and incorporated herein by reference as **Exhibit "B"**.

5. The FTI Application authorizes the Debtor's retention of Applicant to perform the following services on behalf of the Debtors:

- to assist the Debtors in the preparation of financial related disclosures required by the Court, including the Schedules of Assets and Liabilities, the Statement of Financial Affairs and Monthly Operating Reports;
- to assist the Debtors with information and analyses required pursuant to the Debtors' Debtor-In-Possession ("DIP") financing;
- to assist with the identification and implementation of short-term cash management procedures;

- advisory assistance in connection with the development and implementation of key employee retention and other critical employee benefit programs;
- to assist and advise the Debtors with respect to the identification of core business assets and the disposition of assets or liquidation on unprofitable operations;
- to assist with the identification of executory contracts and leases and performance of cost/benefit evaluations with respect to the affirmation or rejection of each;
- to assist regarding the valuation of the present level of operations and identification of areas of potential cost savings, including overhead and operating expense reductions and efficiency improvements;
- assist in the preparation of financial information for distribution to creditors and others;
- attendance at meetings and assist in discussions with potential investors, banks and other secured lenders, the Creditors' Committee, the U.S. Trustee, other parties in interest and professionals hired by the same, as requested;
- Analysis of creditor claims by type, entity and individual claim;
- Assist in the preparation of information and analysis necessary for the confirmation of a Plan of Reorganization of this chapter 11 case;
- Assist in the evaluation and analysis of avoidance actions, including fraudulent conveyances and preferential transfers;
- Litigation advisory services with respect to accounting and tax matters, along with expert witness testimony on case related issues as required by the Debtors; and
- Render such other general business consulting or such other assistance as Debtors' management or counsel may deem necessary that are not duplicative of services provided by other professionals in this proceeding.

6. On December 11, 2001, an order was approved Granting Debtors' Motion to Establish Procedures for Interim Compensation of Professionals. A copy of that is attached hereto and incorporated herein by reference as **Exhibit "C"**.

7. This is Applicant's Third and Final Application for Restructure Advisory fees and reimbursement of expenses. Applicant maintains regular records of time and disbursements for services rendered to the Debtors, and has continued to do so from the date of the Order.

8. **Exhibit "D"**, which is attached hereto and incorporated herein, reflects a summary of total fees resulting from services rendered during the Third and Final Application Period for the period of August 1, 2002 through October 31, 2002, by Applicant professional and their hourly rates. **Exhibit "D"** also presents a summary reflecting total fees by project code (as hereinafter described), by Applicant professional and their hourly rates. **Exhibit "D"** presents a complete accounting by professional, of the date the services were rendered, the time expended, and a description of the nature of the services rendered. All entries itemized in **Exhibit "D"** are categorized by project codes as hereinafter described. The total number of hours expended by professionals employed by the Applicant in connection with its role as Restructure advisors to the Debtors during the Third and Final Application for the period of August 1, 2002 through October 31, 2002 was 1,115.3 hours.

9. A summary of expenses by category, as well as a complete accounting of the date the expenses were incurred, the amount incurred, and a description of the nature of the expenses are attached hereto as **Exhibits "E" and "F"**, respectively. Applicant has incurred expenses in connection with its role as restructure advisors to the Debtors in the total amount of \$5,330.44 for the period of August 1, 2002 through October 31, 2002. These expenses include certain amounts for travel and lodging related to work performed at the Debtors' premises, meetings, and expenses related to out of pocket costs.

II. SERVICES COVERED BY THE THIRD AND FINAL FEE APPLICATION

10. Applicant has performed eleven (11) major tasks as Restructure Advisors to the Debtors for the period of August 1, 2002 through October 31, 2002.

11. The following is a breakdown of the various tasks performed during the period of August 1, 2002 through October 31, 2002, and the hours and fees applicable to such tasks.

<u>TASK CODE</u>	<u>TOTAL FEES</u>
B110 Case Administration	\$8,023
B130 Asset Disposition	\$20,490
B150 Meetings of and Communications with Creditors	\$22,210
B160 Fee/Employment Applications	\$7,198
B185 Assumption/Rejection of Lease Contracts	\$2,348
B195 Non-Working Travel Time	\$8,200
B210 Business Operations	\$33,163
B220 Employee Benefits/Pensions	\$650
B230 Financing/Cash Collections	\$134,470
B260 Board of Directors Matters	\$3,635
B310 Claims Administration and Objections	\$43,945
B320 Plan and Disclosure Statement	<u>\$93,103</u>
	<u>\$377,433</u>

B110 Case Administration

Fees: \$8,023

Coordination and compliance matter, including:

- Planning for and assistance with the preparation of statement of financial affairs and meetings regarding the same;
- Planning for and assistance with the preparation of schedules of Assets and Liabilities and meetings regarding the same;
- Planning for and assistance in the preparation of the MOR;
- Meetings and discussion with United States Trustee regarding case administration matters and initial debtor conferences;
- Meetings and discussions regarding the retention of claims agent;
- Meetings and discussions with claims agent regarding creditor matrix, service list, claims reconciliation and other case administration matters; and
- General creditor inquiries.

B130 Asset Disposition

Fees: \$20,490

This category encompasses:

- Review of locations' financial performance for identifying assets to be divested;
- Meetings and discussions related to the divestiture plan;
- Forecasting on location by location basis to assist with decisions on assets to divest;
- Preparation of offering memorandums for each asset divestiture;
- Preparation of schedules to track the progress of divestitures announced; and
- Preparation of analysis on purchase and sale agreements and offers received on assets that had been placed for sale.

B150 Meetings of and Communications with Creditors

Fees: \$22,210

This category encompasses preparation for and attending:

- The creditor committee selection meeting(s);
- Meetings and presentations to the creditors committee or its advisors; and
- Other meetings and presentations to the Bank group and its advisors.

B160 Fee/Employment Applications

Fees: \$7,198

This category encompasses the preparation of employment and fee applications for self or others; and motions to establish interim procedures.

B185 Assumption/Rejection of Leases and Contracts

Fees: \$2,348

This category encompasses all of the analysis in relation to the assumption and/or rejection of all of the leases and contracts.

B195 Non-Working Travel Time

Fees: \$8,200

- Includes flight time.

B210 Business Operations

Fees: \$33,163

This category encompasses:

- Development of workplans for case management;
- Development of communication plan for employees, vendors and other constituents; and
- Other bankruptcy operating issues.

B220 Employee Benefits/Pensions

Fees: \$650

This category encompasses the review of issues such as severance, retention, 401K coverage and continuance of pension plan.

B230 Financing/Cash Collections

Fees: \$134,470

This category encompasses:

- Preparation of exhibits for cash collateral hearings;
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- Analysis related to cash collateral negotiations;
- Compilation of information for bank experts related to cash collateral hearings;
- Negotiation related to DIP loan;

- Preparation of cash flow for cash collateral and DIP loan;
- Comparing Budget to actual related to forecasting and revising the forecasts;
- Preparation of various schedules supporting the cash forecasts; and
- Attendance at depositions and court hearing related to cash collateral and DIP hearings.
- Preparation of various schedules and reports necessary to obtain exit financing
- Negotiation of the exit financing facility

B260 Board of Directors Matters

Fees: \$3,635

This category encompasses the following:

- Preparation of materials for and attendance at Board of Directors meetings;
- Analysis and advice regarding corporate governance issues; and
- Review and preparation of corporate documents (e.g., Articles, Bylaws, employment agreements, compensation plans, etc.)

B310 Claims Administration and Objections

Fees: \$43,945

This category encompasses the following:

- Specific claim inquiries;
- Bar date motions;
- Analyses;
- Objections; and
- Allowances of claims.

B320 Plan and Disclosure Statement

Fees: \$93,103

This category encompasses the following:

- Formulation, presentation and confirmation;
- Compliance with the plan conformation order, related orders and rules;
- Preparation of liquidation analysis and supporting exhibits;
- Preparation of enterprise valuation analysis and supporting schedules;

- Disbursement and case-closing activities, except those related to the allowance and objections to allowance of claims.

III. STANDARDS OF FIRST COLONIAL

12. This application is submitted under the standards set forth in In re First Colonial Corp. of America, 544 F.2d 1291 (5th Cir.), cert. den., 431 U.S. 904 (1977). These standards are:

A. The time and labor required.

As reflected in **Exhibit "D"**, Applicant's personnel spent an aggregate of 1,115.3 hours on the case between August 1, 2002 through October 31, 2002.

B. The novelty and difficulty of the questions presented in the case.

The procedures performed by Applicant in this case require a specialization in restructuring techniques, accounting and auditing.

C. The skill requisite to perform the accounting services properly.

To meet the assigned tasks, Applicant was required to demonstrate a high degree of skill and professional competence as reflected by the results obtained.

D. Preclusion of other employment due to acceptance of the case.

The time demands of retention by the Debtors have necessarily diverted resources of the Applicant from existing clients and new matters which Applicant might otherwise have taken.

E. Customary charges for services rendered.

The hourly rate for which compensation is requested is set forth by each professional employed in this case by Applicant and as set forth in **Exhibit "D"**. The fees charged in this case are the customary and usual fees charged by Applicant and by similar firms in this geographical area for the services rendered by the professionals involved.

F. Time limitations imposed by the case.

Applicant has assisted the Debtors with consulting and advisory services as the Applicant and Debtors deemed appropriate and feasible. The Applicant believes that it has successfully

managed the time limitation imposed by this Chapter 11 case within the Third and Final Application period.

G. The results obtained.

The results obtained are detailed by task code as individually presented in this document.

H. The experience, reputation and ability of Applicant.

It is firmly believed that Applicant has a wealth of experience in providing accounting, tax and financial advisory services in restructurings and reorganizations and enjoys an excellent reputation for services it has rendered in large and complex chapter 11 cases on behalf of debtors and creditors throughout the United States.

I. Undesirability of the case.

Applicant believes that this case is not undesirable.

J. Nature and length of professional relationship with client.

On October 15, 2001, Applicant was engaged to provide financial expertise in order to assist with a refinancing and aid with the reorganization of the Debtors' business.

K. Awards in similar cases.

Applicant believes that the Court is aware of awards in cases of a similar nature and that the amount sought herein is reasonable.

IV. PREPARATION OF FEE APPLICATION

13. The First Colonial case and other similar holdings have required the preparation of detailed applications for compensation. This Circuit has allowed compensation for the preparation of the Application. The time spent in preparation of the Third and Final Application has been set forth in this Application for Allowance of Fees Rendered by Restructure Advisors for the Debtors.

WHEREFORE, PREMISES CONSIDERED, Applicant prays that after such notice and hearing as is required, the Court enter an order:

1. Awarding interim compensation to Applicant in the outstanding amount of \$153,418.50 and \$2,727.70 for fees and expenses respectively with respect to services rendered from August 1, 2002 through October 31, 2002; and
2. Directing the Debtors to pay the Applicant the total amount allowed; and
3. Granting Applicant such other and further relief, both at law and in equity, as is just.

Dated: November 27, 2002.

FTI Consulting, Inc.

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RESTRUCTURE ADVISORS
TO THE DEBTORS