

**Objection Deadline: To be determined**  
**Hearing Date: To be determined**

American Appraisal Associates, Inc.  
 Valuation Consultants for WorldCom, Inc., *et al.*  
 411 E. Wisconsin Avenue, Suite 1900  
 Milwaukee, Wisconsin 53202  
 (414) 271-7240

UNITED STATES BANKRUPTCY COURT  
 SOUTHERN DISTRICT OF NEW YORK

-----X  
 In re: : Chapter 11  
 :  
 : **WORLDCOM, INC., *et al.*,** : **Case No. 02-13533 (AJG)**  
 :  
 : Debtors. : **(Jointly Administered)**  
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**SUMMARY SHEET PURSUANT TO THE UNITED STATES TRUSTEE  
 GUIDELINES FOR REVIEWING APPLICATIONS FOR  
 COMPENSATION AND REIMBURSEMENT OF EXPENSES FILED  
 UNDER 11 U.S.C. § 330 FINAL INTERIM APPLICATION**

Name of Applicant:	American Appraisal Associates, Inc.
Authorized to Provide Professional Services to:	Debtors and Debtors-in-Possession
Date of Retention:	October 23, 2002
Period for which compensation and reimbursement is sought:	October 23, 2002 – April 19, 2004
Amount of Compensation sought as actual, reasonable and necessary:	\$8,994,000.00
Amount of Expense Reimbursement sought as actual, reasonable and necessary:	\$648,449.79
Fees Previously Sought:	\$4,561,881.28
Fees Previously Awarded:	\$224,145.76
Expenses Previously Sought:	\$249,989.18
Expenses Previously Awarded:	\$14,101.10

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In re: : Chapter 11  
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: **WORLDCOM, INC., *et al.*** : **Case No. 02-13533 (AJG)**  
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: Debtors. : **(Jointly Administered)**  
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**APPLICATION OF AMERICAN APPRAISAL ASSOCIATES, INC.,  
VALUATION CONSULTANTS FOR THE DEBTORS AND DEBTOR-IN-  
POSSESSIONS, FOR FINAL ALLOWANCE OF COMPENSATION  
FOR PROFESSIONAL SERVICES RENDERED AND FOR  
REIMBURSEMENT OF ACTUAL AND NECESSARY EXPENSES  
INCURRED FROM OCTOBER 23, 2002 THROUGH APRIL 19, 2004**

American Appraisal Associates, Inc. (“AAA”), valuation consultants for WorldCom, Inc., *et al.* (the “Debtors”), debtors and debtors-in-possession in these Chapter 11 Cases (the “Chapter 11 Cases”), for its application (the “Application”), pursuant to Section 330(a) of Title 11 of the United States Code (the “Bankruptcy Code”) and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) for final allowance of compensation for professional services performed by AAA for the period commencing October 23, 2002 through and including April 19, 2004 (the “Compensation Period”), and for reimbursement of its actual and necessary expenses incurred during the Compensation Period, respectfully represents as follows:

**SUMMARY OF PROFESSIONAL COMPENSATION  
AND REIMBURSEMENT OF EXPENSES REQUESTED**

1. This Application has been prepared in accordance with the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases adopted by the Court on April 19, 1995 (the “Local Guidelines”), the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. §330 adopted on January 30, 1996 (the “UST Guidelines”), and the Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Monthly Compensation and Reimbursement of Expenses of Professionals, entered on August 13, 2002 (the “Administrative Order” and, collectively with the Local Guidelines and UST Guidelines, the “Guidelines”).

2. AAA herein seeks final allowance of compensation for professional services rendered to the Debtors during the Compensation Period in the aggregate amount of \$8,994,000.00<sup>1</sup> and for reimbursement of out-of-pocket expenses incurred in connection with the rendition of such services in the aggregate amount of \$648,449.79. During the Compensation Period, AAA professionals expended a total of 28,404.84 hours for which compensation is requested.

3. During the Compensation Period, AAA received payments pursuant to the Administrative Order, subject to the 20% holdback on professional fees contemplated by the Administrative Order (the “Holdback”). By this Application, AAA seeks payment of

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<sup>1</sup> As described in paragraph 10 herein, AAA’s compensation request reflects a voluntary fee reduction of \$964,734.79. Stated differently, the aggregate number of hours worked by AAA on tasks assigned to it by the Debtors would, but for AAA’s voluntary reduction, support a final fee request that is \$964,734.79 greater than the amount requested in this Application.

the Holdback for professional services rendered during the Compensation Period. During the Compensation Period, the total Holdback equaled \$860,127.00.<sup>2</sup>

4. The fees charged by AAA in these Chapter 11 Cases are billed in accordance with the billing rates and procedures in effect during the Compensation Period. The rates AAA charges for the services rendered by its professionals in these Chapter 11 Cases are comparable to rates AAA charges for professional services rendered in non-bankruptcy matters. Such fees are reasonable and based on the customary compensation charged by comparably skilled practitioners in comparable non-bankruptcy cases in a competitive national valuation consultation market. Pursuant to the UST Guidelines, a certification regarding compliance with same is attached hereto as Exhibit "A."

5. Pursuant to the UST Guidelines, annexed hereto as Exhibit "B" is a schedule setting forth all AAA professionals who have performed services in these Chapter 11 Cases during the Compensation Period, the titles of each such individual employed by AAA, the aggregate number of hours expended in this matter, the hourly billing rate charged by AAA for services performed by such individual, and fees billed therefor.

6. Annexed hereto as Exhibit "C" is a schedule specifying the categories of expenses for which AAA is seeking reimbursement and the total amount for each such expense category.

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<sup>2</sup> Pursuant to the Administrative Order, AAA submitted monthly statements of fees and disbursements during the Compensation Period for the months of August 2003 through February 2004. For these monthly statements, the Debtors paid AAA not only 80% of the amount of fees requested, but also the 20% Holdbacks. Consistent with the Administrative Procedure Order, AAA has returned to the Debtors all Holdbacks that it has received, totaling \$860,127.00.

7. AAA maintains computerized records of the time spent by all AAA professionals in connection with the Chapter 11 Cases. Attached hereto as Exhibit “D” are copies of these computerized records in the format specified by the UST Guidelines.<sup>3</sup>

### **BACKGROUND**

8. On July 21, 2002 and November 8, 2002 (together, the “Commencement Date”), WorldCom, Inc. and its direct and indirect domestic subsidiaries commenced these Chapter 11 Cases.

9. On October 30, 2003, this Court entered an Order Confirming the Debtors Modified Second Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, dated October 31, 2003. The effective date of the plan of reorganization was April 20, 2004.

10. Pursuant to the Order Authorizing the Retention and Employment of American Appraisal Associates as Valuation Consultants, dated December 17, 2002 (the “Retention Order”), the Debtors were authorized to retain AAA, nunc pro tunc to October 23, 2002, as valuation consultants. A copy of the Retention Order is attached hereto as Exhibit “E.” Attached as an exhibit to the Retention Application, and approved thereby, was a Master Consulting Services Agreement between MCI WorldCom Network Services, Inc. and AAA, dated as of October 30, 2002 (the “Master Agreement”). The Master Agreement provides that the parties will enter into “Statements of Work” describing the specific nature of the services to be provided by AAA to the Debtors, and the estimated fees and expenses to be incurred by AAA in rendering services under such

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<sup>3</sup> Pursuant to the Retention Order, AAA was authorized to bill its time in hourly increments. Nevertheless, starting on July 2, 2003, AAA recorded its professional time

Statements of Work. As of the date of this Application, five Statements of Work have been entered into between the parties, directing AAA to perform services on behalf of the Chapter 11 estates for a total amount of fees of \$8,994,000.00. Although the Statements of Work authorized AAA to invoice the Debtors' estates, AAA has agreed to voluntarily reduce its final fee request by \$964,734.79. A summary of the services provided by AAA under the Statements of Work is set forth below. Copies of the Statements of Work are attached hereto as Exhibit "F".

11. On January 31, 2003, AAA filed its first application (the "First Interim Application") for the period of October 23, 2002 through December 31, 2002, seeking interim allowance of compensation in the amount of \$117,118.25 and reimbursement of expenses incurred in the amount of \$5,126.88. Pursuant to an Order signed on August 11, 2003, the Court approved the First Interim Application for fees and expenses in the amount of \$105,406.43 and \$5,126.68, respectively (the "First Interim Order"). On January 22, 2004, the Court entered a Supplemental Order Granting Additional Interim Compensation and Reimbursement of Expenses, authorizing the payment in full of all amounts authorized under the First Interim Order.

12. On September 24, 2003, AAA filed its second application (the "Second Interim Application") for the period of December 1, 2002 through March 30, 2003, seeking interim allowance of compensation in the amount of \$118,739.33 and reimbursement of expenses incurred in the amount of \$8,974.42. Pursuant to an Order signed on March 12, 2004, the Court approved the Second Interim Application for fees and expenses in the amount of \$118,739.33 and \$8,974.42, respectively.

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in quarter hour increments.

13. On December 15, 2003, AAA filed a supplemental application (the “Third Interim Application”) for the period of January 1, 2003 through March 31, 2003, seeking interim allowance of compensation in the amount of \$131,161.12 and reimbursement of expenses incurred in the amount of \$8,789.42. The Court has not yet held a hearing on the Third Interim Application and, consequently, has not yet entered an Order respecting the Third Interim Application.

14. On December 12, 2003, AAA filed its fourth application (the “Fourth Interim Application”) for the period of April 1, 2003 through September 30, 2003, seeking interim allowance of compensation in the amount of \$4,194,862.58 and reimbursement of expenses incurred in the amount of \$227,098.46. The Court has not yet held a hearing on the Fourth Interim Application and, consequently, has not yet entered an Order respecting the Fourth Interim Application.

15. On February 11, 2004, the Court entered a Stipulation and Order Clarifying the Terms of the Retention and Employment of American Appraisal Associates, Inc. as Valuation Consultants to the Debtors (the “Stipulation”). A copy of the Stipulation is attached hereto as Exhibit “G”. The Stipulation clarified certain terms of the original Retention Order, and increased the original fee cap (subject to further cap relief by Order of the Court) contained in the Retention Order to \$7,594,000 (the “Amended Cap”), based upon the greatly expanded services provided by AAA. As set forth below, subsequent to the entry of the Stipulation, and on the specific request of the Debtors on an emerging basis, AAA performed additional services not contemplated under the Stipulation, and is thus seeking herein an amount in excess of the Amended Cap, as contemplated by the Retention Order. Specifically, by this Application, AAA

seeks final allowance of compensation for professional services rendered during the Compensation Period in the amount of \$8,994,000.00 and reimbursement for actual and necessary expenses AAA incurred during the Compensation Period in the amount of \$648,449.79.

### **SUMMARY OF SERVICES**

16. AAA provided valuation services on the Debtors' real and personal property, as well as identified and valued intangible assets. As noted above, AAA and the Debtors entered into five separate Statements of Work detailing the services to be provided by AAA to the Debtors, and the anticipated fees and expenses that would be incurred by AAA in connection with such services. Initially, and as described in more detail below, AAA was retained to provide valuation services required to assist the Debtors to achieve compliance with certain regulations issued by the Financial Accounting Standards Board ("FASB"). Due to the quality of the services provided by AAA, the Debtors subsequently entered into four additional Statements of Work, greatly expanding the scope of services requested of AAA.

17. The following summary of services rendered during the Compensation Period is not intended to be a detailed description of the work performed, as those day-to-day services and the time expended in performing such services are fully set forth in the attached computerized records of AAA. Rather, the summary is intended to broadly highlight the scope of the services that were rendered to the Debtors.

**I. First Statement of Work.**

18. The initial Statement of Work, dated as of October 30, 2002, was attached as an exhibit to the Master Agreement. Pursuant thereto, AAA was retained to provide valuation services required to assist the Debtors in its efforts to comply with certain regulations issued by FASB. Specifically, AAA was retained to provide valuation services on the Debtors' real and personal property, as well to identify and value intangible assets. FASB has issued Statements of Financial Accounting Standards ("SFAS"), which require companies to test long-lived assets and goodwill for impairment. When testing for impairment, it is necessary to know the fair market value of the assets as well as to identify and value qualifying intangible assets. In performing such services, AAA, among other things, conducted a review and analysis of the following factors: management forecasts of expected future cash flows; discount rates commensurate with the risks of the subject operations; and quoted market prices which seem indicative of value relative to the subject operations. AAA produced a report comprised of a narrative covering the nature and scope of its investigation, the methodologies employed and its conclusion of value. AAA also provided Summary Appraisal Reports, which set forth a summary of the data used in the appraisal process.

**II. Second Statement of Work.**

19. Following the Debtors' restatement of historical financial statements by the Debtors, AAA was asked to perform additional appraisal services in connection with the valuation of intangible assets acquired by the Debtors as part of its acquisition of MCI Communications, Inc. ("MCI"), as well as to provide additional general consulting regarding various other prior acquisitions. The valuation of MCI acquisition intangibles

was necessary due to questions raised by the Debtors' management regarding the treatment of various assets acquired by the Debtors through the 1998 MCI acquisition. AAA analyzed and provided opinions of the fair values and remaining useful lives of the acquired intangible assets to serve as a basis for reallocation of the purchase price.

20. In addition, the Debtors' management indicated the need for significant additional consulting assistance regarding various valuation issues relating to past transactions other than the 1998 MCI acquisition, including: (i) the review and commentary regarding the various methods used to value incomplete technology in past acquisitions; (ii) assisting management in sorting out conflicting valuation issues related to the prior acquisitions in or around 1996; (iii) providing valuation modeling assistance related to previously unsupported allocations of the prior acquisitions; and (iv) general valuation consulting related to other than potential acquisitions.

### **III. Third Statement of Work.**

21. In August of 2003, the scope of AAA's work was greatly expanded. AAA was asked to assist the Debtors in their efforts to restate historical financial statements in much greater detail than originally contemplated. AAA was asked to perform appraisals of business and equity interests, real and personal property, and intangible assets related to various worldwide acquisition and divestiture transactions. As a result, AAA developed an extensive working knowledge of the Debtors' worldwide business, prior transactions, and assets. AAA was asked to perform a variety of valuation techniques in reaching its findings, including, but not limited to, cash flow analysis, worldwide property inspections, historical asset cost research, asset ledger trending, and market

comparable reviews, which was critical to the Debtors' efforts to emerge from bankruptcy.

22. AAA was also asked to provide "fresh start accounting" services, crucial for the Debtors to emerge from bankruptcy. In connection therewith, AAA was asked to provide services in connection with the valuation of tangible and intangible assets of the Debtors, including, for example: property, plant & equipment, land, buildings, leasehold interests and intangible assets such as trademarks, customers, licenses, and patents. The additional services involved multi-disciplinary appraisal expertise, including personal property, real property, and intangible property. AAA provided opinions of the fair values and remaining useful lives of the appraised assets, and served as a basis for allocation of the bankruptcy emergence value.

#### **IV. Fourth Statement of Work.**

23 In February of 2004, AAA had completed, or was nearing completion of all of the tasks outlined in the previous Statements of Work. The Debtors requested AAA to perform additional services critical to the emergence from bankruptcy. Among other things, the Debtors determined that it needed more detailed historical impairment analyses to satisfy FASB requirements. Specifically, the Debtors determined that it required the analysis at a more detailed entity level, which necessarily included a more thorough analysis of underlying intangible assets. AAA was asked to revise and expand the scope of their prior impairment work to include various levels of detail regarding four additional asset groups that, previously, were to have been aggregated under the general MCI asset group.

24 For the Wireless and MMDS assets, AAA was requested to assist management in finding an abbreviated valuation methodology to satisfy certain audit requirements. AAA was asked to perform an “Appraisal Review” and sensitivity analysis regarding the Digex business, followed by a FAS 121 impairment valuation. Management also requested AAA provide value opinions for newly defined assets groups, including SkyTel and the revised MCI core asset group (revised for the elimination of historical and projected numbers for all of the assets deemed to no longer fit the “one network” definition).

25 AAA was also requested to value select businesses and underlying tangible and intangible assets of the Debtors, encompassing specifically identified properties where accounting questions of a historical nature had arisen, and where valuation assistance was required to ensure proper accounting treatment. AAA’s valuation was necessary due to questions raised by the Debtors regarding the treatment of the assets acquired by the Debtors through various subject transactions.

26 Finally, AAA was requested to perform additional services in connection with the fresh start valuation analysis to address issues surrounding certain intangible assets, investments, and segment reporting that were not included in the initial scope of AAA’s services. The Debtors determined that the real and personal property required a detailed valuation at the line-item level, as opposed to the aggregate assets classes level that the Debtors had initially requested. To that end, AAA was requested to provide the Debtors with the complete, detailed, fair value asset register in support of the Debtors’ fresh start balance sheet. Without such services, the Debtors would have been unable to emerge from bankruptcy.

27 The services requested of AAA in connection with the fresh start valuation services were extensive, and are only summarized below:

***Real Estate.*** The Debtors' real property assets include approximately 450 to 500 locations situated in the United States, and AAA had been previously been asked to provide values, in aggregate, by major asset class for all of these real property assets. In the Fourth Statement of Work, AAA was asked to provide valuation services to report fair values down to the individual asset level, and to distribute the resulting values to the corresponding fixed asset entries.

***Personal Property.*** AAA was asked to report fair values to the individual asset level, and to determine a remaining life for each asset on the record.

***Financial Valuation.*** The Debtors identified additional business operations that had not been included in prior valuation efforts or Statements of Work. AAA reviewed the valuation of trademarks, software, in-process research and development, customer base, and other assets. More generally, AAA provided extensive advisory and consultative effort to aid not only the Debtors, but also its advisors, in the many issues facing the Debtors. Numerous formal meetings were required to maintain communication flow among the many participants in the fresh start endeavor.

**V. Fifth Statement of Work.**

28. Finally, in the Fifth Statement of Work, the Debtors requested that AAA provide additional services in connection with MCI's April 29, 2004 10-K filing, among other services. In connection with the 10-K filing, AAA was asked to provide the following in support of that initial filing: (i) additional discussion and review with management and the Debtors' auditors; (ii) detailed asset listings, including final post-valuation adjustments for SFAS 141 after consultation with the Debtors' management; and (iii) executive summary reports as required by the Debtors and the Debtors' auditors.

In addition, AAA provided various valuation reports and supporting material to assist the Debtors with their quarterly filings. The Fifth Statement of Work also recognized that additional services had been requested of AAA that had not been encompassed by the Fourth Statement of Work, and authorized services that AAA had already provided to the Debtors at the Debtors' request, but which neither party had yet memorialized in writing during that time period.

29. The foregoing professional services performed by AAA were necessary and appropriate to the administration of the Chapter 11 Cases. The professional services performed by AAA were in the best interests of the Debtors and other parties in interest. Compensation for the foregoing services as requested is commensurate with the complexity, importance, timing and nature of the problems, issues or tasks involved. The professional services were performed with expedition and in an efficient manner.

30. Substantially all of the services were performed by members of AAA in its Financial Valuation Group. AAA has a substantial practice in this area and enjoys a national reputation for its expertise in financial reorganizations and restructuring of troubled entities, with approximately 50 professionals specializing in this area of valuation consulting.

31. The professional services performed by AAA on behalf of the Debtors during the Compensation Period required an aggregate expenditure of 28,404.84 recorded hours by AAA's professionals and paraprofessionals.

32. During the Compensation Period, AAA's hourly billing rates for valuation consultants ranged from \$142 to \$578 per hour. Allowance of compensation in the

amount requested would result in a blended hourly billing rate for professionals of approximately \$317 per hour.

**ACTUAL AND NECESSARY DISBURSEMENTS OF AAA**

33. As set forth in Exhibit “C” hereto, AAA has disbursed \$648,449.79 as expenses incurred in providing professional services during the Compensation Period. These charges are intended to cover AAA’s direct operating costs, which costs are not incorporated into the AAA hourly billing rates. AAA does not make a profit as a result of such charges. Only clients who actually use services of the types set forth in Exhibit “C” are separately charged for such services. The effect of including such expenses as part of the hourly billing rates would impose that cost upon clients who do not require extensive photocopying, faxing and other facilities and services.

**THE REQUESTED COMPENSATION SHOULD BE ALLOWED**

34. Section 330 provides that a court may award a professional employed under section 327 of the Bankruptcy Code “reasonable compensation for actual necessary services rendered . . . and reimbursement for actual, necessary expenses.” 11 U.S.C. §330(a)(i). Section 330 also sets forth the criteria for the award of such compensation and reimbursement:

In determining the amount of reasonable compensation to be awarded, the court should consider the nature, extent, and the value of such services, taking into account all relevant factors, including—

- (A) the time spent on such services;
- (B) the rates charged for such services;
- (C) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered

toward the completion of, a case under this title;

(D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed; and

(E) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

11 U.S.C. § 330(a)(3).

35. Section 330 of the Bankruptcy Code provides that fees awarded to professionals must be both necessary and reasonable. In re Keene Corp., 205 B.R. 690, 696 (Bankr. S.D.N.Y. 1997). The test for determining necessity is objective, focusing on what services a reasonable professional would have performed under the same circumstances. In re Angelika Films 57<sup>th</sup>, Inc., 227 B.R. 29, 42 (Bankr. S.D.N.Y. 1998). This test does not rely on hindsight to determine the ultimate success or failure of the professionals actions. See Keene, 205 B.R. at 696.

36. In the instant case, AAA respectfully submits that the services for which it seeks compensation in this Application were necessary for and beneficial to the administration of the Debtors' estates. As described above, AAA has devoted a substantial amount of time and effort to the numerous issues related to these Chapter 11 Cases. Such services were necessary to the Debtors' estates and creditors, and done on the request of the Debtors. Accordingly, AAA further submits that the compensation requested herein is reasonable in light of the nature, extent, and value of such services to the Debtors, their estates, and all parties in interest.

37. Moreover, AAA respectfully submits that a consideration of the factors enumerated in In re First Colonial Corporation of America, 544 F.2d 1291, 1298-99 (5<sup>th</sup> Cir. 1977), reh'g denied, 547 F.2d 573, cert. denied, 431 U.S. 904, which standards have been adopted by most courts, including courts in the Second Circuit, In re Cuisine Magazine, Inc., 61 B.R. 210 (S.D.N.Y. 1986), should result in this Court's final allowance of the full compensation and reimbursement sought herein.

(a) The Time and Labor Required. The professional services rendered by AAA on behalf of the Debtors required the expenditure of substantial time and effort, as well as a high degree of professional competence and expertise, in order to deal with the many complex valuation and other issues required by the Debtors. Often, AAA was required to perform these services under significant time constraints, which resulted in AAA working with the Debtors' and Debtors' advisors twenty-four (24) hours per day, seven (7) days a week. AAA respectfully represents that the services rendered by AAA were performed efficiently, effectively, and economically. Indeed, in those isolated instances where AAA determined that services were rendered inefficiently, AAA agreed to voluntarily reduce its requested fees.

(b) The Novelty and Difficulty of Questions. Complex valuation issues arose throughout the course of these Chapter 11 Cases, as would be expected from one of the largest bankruptcy filings in the United States. In particular, the fresh start valuation services provided by AAA were instrumental in ensuring that the Debtors were able to emerge from bankruptcy protection.

(c) The Skill Required to Perform the Professional Services Properly. AAA believes that its recognized expertise in the area of valuation services, its ability to draw from highly experienced professionals throughout its firm, and its practical ability to work with the Debtors' management on a daily basis to solve complex issues in a complete and timely manner, contributed to the confirmation of the plan of reorganization, and the emergence of the Debtors from bankruptcy protection.

(d) The Preclusion of Other Employment by Applicant Due to Acceptance of the Case. Due to the size of AAA, the engagement of AAA by the Debtors did not preclude its acceptance of new matters. However, the breadth and scope of the services provided to the Debtors required several of AAA's professionals to commit significant portions of their

time to these Chapter 11 Cases, including (as stated above) around the clock availability to render services at the Debtors' request.

(e) The Customary Fee. The fee sought herein is based on AAA's normal rates for services of this kind. AAA respectfully submits that the fee sought herein is not unusual given the size and complexity of these Chapter 11 Cases, and the time dedicated by AAA on this matter.

(f) Whether the Fee is Fixed or Contingent. AAA charged its customary rates, and the fee is not outcome dependent. As noted herein, pursuant to the Stipulation AAA agreed to an Amended Cap on fees, but subsequent thereto, the Debtors requested additional services from AAA as set forth in the Fifth Statement of Work. Pursuant to this Application, and as set forth below, AAA seeks an amount in excess of the Amended Cap based upon such services.

(g) Time Limitations Imposed by Client or Other Circumstances. As stated above, AAA has often had to perform its services under significant time constraints. AAA's valuation and other services in connection with the fresh start accounting for the Debtors was done under significant time constraints to ensure that the Debtors was able to emerge from bankruptcy as expeditiously as possible.

(h) The Amount Involved and Results Obtained. The services provided by AAA in one of the largest bankruptcies ever filed were instrumental in allowing the Debtors to emerge from bankruptcy. AAA respectfully submits that its efforts throughout these cases were highly beneficial.

(i) The Experience, Reputation and Ability of the Professionals. The Debtors selected AAA as their valuation experts because of the firm's diverse experience and extensive knowledge. AAA is one of the oldest independent international valuation consulting firms. AAA prepares valuation studies on assets and businesses having a net worth of over \$200 billion per year. Additionally, AAA has been retained as an independent valuation expert to debtors, creditors' committee, investors and other parties in interest in numerous bankruptcy cases.

(j) The "Undesirability" of the Cases. These Chapter 11 Cases were not undesirable, but as already indicated, required a significant commitment of time from several of the professionals assigned hereto.

(k) Nature and Length of Professional Relationship. AAA has been rendering services to the Debtors throughout these Chapter 11 Cases, and has rendered such services in a necessary and appropriate manner.

38. By this Application, AAA is seeking an amount in excess of the Amended Cap that was agreed to in the Stipulation. Specifically, AAA is seeking final allowance of compensation for professional services rendered during the Compensation Period in the amount of \$8,994,000.00 and reimbursement for actual and necessary expenses AAA incurred during the Compensation Period in the amount of \$648,449.79. Although such amount sought by AAA exceeds the Amended Cap, it is well within this Court's powers to grant such application. See, e.g. In re Computer Learning Centers, 272 B.R. 897 (Bankr. E.D. Va. 2001) (authorizing payment of fees in excess of cap based on equitable powers of court). Indeed, the Retention Order itself provides that the cap can be increased upon further Order of the Bankruptcy Court. The additional amounts sought by AAA pursuant to this Application are for services performed by AAA on the express direction of the Debtors, and in accordance with the Fifth Statement of Work. The results, as noted above, were excellent, and because of the services of AAA, in particular the fresh start valuation services provided by AAA, the Debtors were able to successfully emerge from bankruptcy.

39. In sum, the services rendered by AAA were necessary and beneficial to the Debtors' estate, and were consistently performed in a timely manner commensurate with the complexity, importance, and nature of the issues involved, and approval of the compensation sought herein is warranted.

**CONCLUSION**

WHEREFORE AAA respectfully requests (i) final allowance of compensation for professional services rendered during the Compensation Period in the amount of \$8,994,000.00 and reimbursement for actual and necessary expenses AAA incurred during the Compensation Period in the amount of \$648,449.79; (ii) the allowance of such compensation for professional services rendered and reimbursement of actual and necessary expenses incurred be without prejudice to AAA's right to seek such further compensation for the full value of services performed and expenses incurred; and (iii) that the Court grant AAA such other and further relief as is just.

Dated: Milwaukee, Wisconsin  
July 19, 2004

Respectfully submitted,

/s/ T. Michael Rathburn  
T. Michael Rathburn  
Associate General Counsel  
American Appraisal Associates, Inc.

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