

MCDERMOTT WILL & EMERY LLP
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Donald M. Griswold

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

----- X
In re :
 : Chapter 11 Case No.
WORLDCOM, INC., et al., : 02-13533 (AJG)
 :
 Reorganized Debtors, : (Jointly Administered)
 :
 :
 :
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**FIRST APPLICATION OF MCDERMOTT WILL & EMERY LLP,
AS SPECIAL COUNSEL FOR DEBTORS AND DEBTORS IN POSSESSION,
FOR INTERIM ALLOWANCE OF COMPENSATION FOR SERVICES RENDERED
AND REIMBURSEMENT OF EXPENSES INCURRED
FROM OCTOBER 1, 2003 THROUGH APRIL 30, 2004**

TO THE HONORABLE ARTHUR J. GONZALEZ
UNITED STATES BANKRUPTCY JUDGE

McDermott Will & Emery LLP (“McDermott”), as special counsel for the above-captioned debtors and debtors in possession in the cases (“WorldCom,” the “Company,” or the “Debtors”), in support of its first interim application (the “First Application”) for allowance of compensation for professional services rendered and reimbursement of expenses incurred from October 1, 2003 through April 30, 2004 (the “First Application Period”), respectfully represents:

PRELIMINARY STATEMENT

1. By this First Application and pursuant to sections 330 and 331 of the Bankruptcy Code and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), McDermott requests that this Court authorize: (i) interim allowance of compensation for professional services McDermott rendered to the Debtors during the First Application Period in the amount of \$1,440,210.00; and (ii) the reimbursement of actual and necessary expenses McDermott incurred in connection with the rendition of such professional services in the amount of \$39,888.36. During the First Application Period, McDermott attorneys and paraprofessionals expended a total of 3,247.60 hours for which compensation is requested. McDermott reserves its right to seek at a later date compensation for expenses incurred during the First Application Period that may have not been posted as of yet and thus are not included herein.

2. McDermott has, at all times, endeavored to be as efficient as possible in providing services to the Debtors.

3. This Court has jurisdiction over this First Application pursuant to 28 U.S.C. §§ 157 and 1334 and the “Standing Order of Referral of Cases to Bankruptcy Judges,” dated July 10, 1984, of District Court Judge Robert T. Ward. Venue of these cases and this First Application is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief sought herein are sections 330 and 331 of chapter 11 of title 11 of the Bankruptcy Code and Bankruptcy Rule 2016.

GENERAL BACKGROUND

4. On July 21, 2002, WorldCom and substantially all of its direct and indirect domestic subsidiaries commenced cases under chapter 11 of the Bankruptcy Code. WorldCom emerged from bankruptcy in April 2004.

5. By Order dated July 22, 2002, the chapter 11 cases were consolidated for procedural purposes only and are being jointly administered. On July 29, 2002, the Office of the United States Trustee appointed the Official Committee of Unsecured Creditors in these cases.

6. McDermott became special counsel to the Debtors by affidavit filed on June 3, 2004, after having first filed with this court an affidavit and disclosure statement, along with a retention questionnaire, on October 30, 2003. Specifically, McDermott was retained to represent the Debtors in connection with its state tax issues arising from the payment of royalties.

McDERMOTT'S FEES AND EXPENSES

7. McDermott's services in these cases have been necessary and beneficial to the Debtors and to their estates, creditors, and other parties in interest. Throughout the First Application Period, the variety and complexity of the issues involved in these cases and the need to address those issues on an expedited basis have required McDermott, in discharge of its professional responsibilities, to devote substantial time by professionals from several legal disciplines on a regular basis.

8. In accordance with section II.B. of the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, dated May 30, 1995, McDermott makes the following disclosures:

- (a) McDermott is Special Counsel to the Debtors.

(b) For the First Application Period, pursuant to this Court's Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Interim Monthly Compensation and Reimbursement of Expenses of Professionals dated August 13, 2002, McDermott has received partial payments totaling \$654,758.06, reflecting \$635,423.12 for services rendered and \$19,334.94 for out-of-pocket costs. This First Application seeks approval of the full \$1,480,098.36 in fees and disbursements set forth in the Fee Statement, including amounts previously paid and amounts not yet paid by the Debtors. No other agreement or understanding exists between McDermott and any other entity for the sharing of compensation to be received for services rendered in or in connection with this case.

9. McDermott maintains written records of the time expended by attorneys and paraprofessionals in the rendition of professional services to the Debtors. Such time records are made substantially contemporaneously with the rendition of services by the person rendering such services. Copies of the invoices reflecting the daily time records for the First Application Period, listing the name of the attorney or paraprofessional, the services performed, the date on which the services were performed, and the amount of time spent in performing the services have been furnished to the Court, the U.S. Trustee, the attorneys for the statutory committee of unsecured creditors, the Debtors, the attorneys for the Debtors, the attorneys for the Debtors' prepetition lenders, and monitor Richard Breedon in connection with McDermott's interim monthly fee statements. See Exhibits A through G to the Statement of Fees and Disbursements of McDermott Will & Emery LLP for the Periods of October 1, 2003 Through April 30, 2004 ("First Fee Statement").

10. A list of the attorneys and paraprofessionals who have worked on these matters during the First Application Period, the aggregate time expended by each individual during the First Application Period, and his or her hourly billing rate during the First Application Period is attached as Exhibit B.

11. McDermott also maintains records of all actual and necessary out-of-pocket expenses incurred in connection with the rendition of professional services. A schedule setting forth the categories of expenses and amounts for which reimbursement is requested during the First Application Period is attached as Exhibit C.

SUMMARY OF SERVICES RENDERED

12. The following summary highlights work undertaken by McDermott during the First Application Period: McDermott is representing WorldCom with respect to its ongoing state tax litigation in this Court. To date, 20 states have filed claims totaling approximately \$1.5 billion with respect to a transaction whereby one member of the WorldCom consolidated group received royalties for the use of intangible property by other members of the WorldCom consolidated group. The matter involves complex issues including several of first impression, under the laws of twenty jurisdictions, including transfer pricing, constitutional questions and matters of statutory interpretation. McDermott has also assisted WorldCom in its cooperation with Bankruptcy Examiner Richard Thornburgh's investigation of this transaction. McDermott has met with most of the states that filed claims, as well as states that did not file claims, in an effort to resolve this matter. Accordingly, McDermott concurrently prepared for litigation in the event that the parties are unable to resolve the state tax issues. To date, the matter remains unresolved.

13. McDermott has provided necessary and valuable services to the Debtors in connection with the above-reference state tax matters. All of these services have assisted in the efficient administration of the Debtor's chapter 11 cases, compliance with the requirements of the Bankruptcy Code, and advancing the Debtor's reorganization efforts.

McDERMOTT'S REQUEST FOR INTERIM COMPENSATION

14. The allowance of interim compensation for services rendered and reimbursement of expenses incurred in bankruptcy cases is expressly provided for in section 331 of the Bankruptcy Code:

[A] debtor's attorney, or any professional person...may apply to the court not more than once every 120 days after an order for relief in cash under this title, or more often if the court permits, for such compensation for services rendered...as is provided under section 330 of this title.

11 U.S.C. § 331.

15. Concerning the level of compensation, section 330(a)(1) of the Bankruptcy Code provides, in pertinent part, that the court may award to a professional person, including the debtor's attorney, "reasonable compensation for actual, necessary services rendered by---the professional person, or attorney..." 11 U.S.C. § 330. The congressional intent and policy expressed in section 330 of the Bankruptcy Code is to provide for adequate compensation to continue to attract qualified and competent practitioners to bankruptcy cases.

16. McDermott submits that its request for interim allowance of compensation is reasonable. The services rendered by McDermott, as highlighted above, required significant time and effort, often under exigent circumstances.

17. The services rendered by McDermott during the First Application Period were performed diligently and efficiently. Accordingly, when possible, McDermott delegated tasks to

lower cost junior attorneys and paralegals, or for discrete matters, to attorneys with specialized expertise in the particular task at issue.

18. The services rendered to the Debtors by McDermott during the First Application Period required an aggregate expenditure of 3,247.60 recorded hours of the time of attorneys and paraprofessionals. A list of such individuals, the aggregate amount of time expended by each and the current hourly billing rate for each, as well as the year of graduation of each attorney, is set forth in Exhibit B. The blended hourly rate for all services rendered by attorneys during the First Application Period was \$463.10. By this First Application, McDermott respectfully requests allowance in full of the fees for services rendered as set forth in Exhibits A through G of the First Fee Statement.

OUT-OF-POCKET EXPENSES

19. McDermott incurred actual and necessary out-of-pocket expenses during the First Application Period, in connection with the rendition of the professional services described above, in the amounts set forth in Exhibit C. By this First Application, McDermott respectfully requests allowance of such reimbursements in full.

20. The disbursements for which McDermott seeks reimbursement include the following:

- a. Duplicating: charged at \$.20 per page;
- b. Telecommunications: long distance calls are billed at actual cost.
Outgoing facsimile transmittals are billed at \$1.25 per page, while there is no charge for incoming facsimiles; and
- c. Delivery Services: postal, overnight delivery and courier are billed at actual cost.

PROCEDURE

21. The Debtors have provided notice of this First Application to the Debtors, counsel for the Debtors, counsel for the post-petition lenders, counsel to the Official Committee of Unsecured Creditors, monitor Richard Breedon, and the Office of the United States Trustee for the Southern District of New York.

CONCLUSION

WHEREFORE, McDermott respectfully requests that this Court enter an order allowing McDermott:

- a. interim compensation from the Debtors for services rendered from October 1, 2003 through April 30, 2004, inclusive, in the amount of \$1,440,210;
- b. reimbursement of actual, necessary expenses incurred in connection with the rendition of such services, in the amount of \$39,888.36; and
- c. such other and further relief as may be just and proper.

Dated: June 23, 2004

McDermott Will & Emery LLP

By: 

Donald M. Griswold
600 Thirteenth Street, N.W.
Washington, D.C. 20005-3096
202-756-8000

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Donald M. Griswold

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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 : Chapter 11 Case No.
WORLDCOM, INC., et al., : 02-13533 (AJG)
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 Reorganized Debtors, : (Jointly Administered)
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**CERTIFICATION PURSUANT TO
ADMINISTRATIVE ORDER RE: GUIDELINE FOR FEES
AND DISBURSEMENTS FOR PROFESSIONALS
IN SOUTHERN DISTRICT OF NEW YORK BANKRUPTCY CASES**

I, Donald M. Griswold, certify as follows:

1. I am a member of the firm of McDermott Will & Emery LLP (“McDermott”).

McDermott was retained as special counsel to the debtors and debtors in possession in the above-captioned cases (collectively, “the Debtors”).

2. I submit this certification in conjunction with McDermott’s application, dated contemporaneously with this Certification (the “First Application”), for McDermott’s first interim allowance of fees and reimbursement of expenses in the cases for the period from October 1, 2003 through April 30, 2004, inclusive (the “First Application Period”). The First Application is being submitted pursuant to this Court’s Order Pursuant to Sections 105(a) and 331 of the Bankruptcy Code Establishing Procedures for Interim Monthly Compensation and

Reimbursement of Expenses of Professionals dated August 13, 2002 (the “Fee Procedures Order”).

3. I am a professional designated by McDermott with responsibility for McDermott’s compliance in these cases with the Administrative Order, dated September 4, 2002 (the “Amended Guidelines”), in this District regarding guideline for fees and disbursements for professionals in bankruptcy cases.

4. I have read McDermott’s First Application, and, to the best of my knowledge, information and belief formed after reasonable inquiry: (i) the fees and disbursements sought in the First Application fall within the Amended Guidelines and the guidelines promulgated January 30, 1996 by the Office of the United States Trustee (the “UST Guidelines” and together with the Amended Guidelines the “Guidelines”); and (ii) the fees and disbursements sought are billed at or below rates in accordance with practice customarily employed by McDermott and generally accepted by its clients.

5. The Debtors have reviewed McDermott’s monthly fee statements that form the basis for the First Application and, subject to the subsequent review and approval of monitor Richard Breedon, approved the amounts requested therein. McDermott’s interim monthly statements of fees and disbursements (including detailed invoices of fees and expenses) have been provided to the United States Trustee, the Debtors, the attorneys for the Debtors, the attorneys for the statutory committee of unsecured creditors, the attorneys for the Debtor’s prepetition lenders, and monitor Richard Breedon.

6. A copy of the First Application has been provided to the United States Trustee, the debtors, the attorneys for the Debtors, the attorneys for the statutory committee of unsecured

creditors, the attorneys for the Debtor's post-petition lenders, and monitor Richard Breedon contemporaneously with the filing hereof.

7. A copy of the invoices incorporating the daily time records maintained by the attorneys and paraprofessionals of McDermott in the ordinary course of business and covering the First Application Period have been submitted to the Court, and the time records set forth in reasonable detail the services rendered by McDermott in these cases.

8. The reimbursement of expenses sought in the First Application: (i) does not include a charge for profit or amortization of the cost of any investment, equipment or capital outlay; and (ii) when the reimbursement sought is for a service which McDermott purchased or contacted for from a third party, includes only the amount billed to McDermott by the third party vendor and actually paid by McDermott to such vendor.

9. McDermott has sought to keep its fees and expenses at a reasonable level and to utilize professional services and incur expenses as necessary to competently represent the Debtors.

Dated: Washington, D.C.
June 23, 2004

McDermott Will & Emery LLP

By: 

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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re :
 : Chapter 11 Case No.
WORLDCOM, INC., et al., : 02-12533 (AJG)
 :
 Reorganized Debtors, : (Jointly Administered)
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 :
----- X

**AFFIDAVIT OF DONALD M. GRISWOLD, ESQ. PURSUANT TO SECTION 504
OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 2016**

Donald M. Griswold, Esq., being duly sworn, deposes and says:

1. I am a member of the firm McDermott Will & Emery LLP (“McDermott”) which maintains offices at 600 13th Street, N.W., Washington, D.C. 20005.
2. McDermott became special counsel to the above-captioned debtors and debtors in possession (collectively, the “Debtors”) by affidavit on June 3, 2004.
3. This affidavit is submitted pursuant to Rule 2016 of the Federal Rules of Bankruptcy Procedure in connection with McDermott’s application for: (i) an interim allowance of compensation for services rendered as counsel to the Debtors from October 1, 2003 through April 30, 2004, inclusive; and (ii) the reimbursement of expenses incurred in connection therewith.

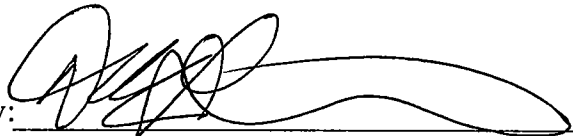
4. No agreement or understanding exists between McDermott and any person for a division of compensation or reimbursement received or to be received herein or in connection with the above-referenced cases.

5. To date, McDermott has received payment of \$635,423.12 for the services of attorneys and paraprofessionals, and \$19,334.94 for out-of-pocket expenses. McDermott has not received promise of payment for the services rendered in these chapter 11 cases other than as disclosed herein and in McDermott's First Fee Application.

Dated: Washington, D.C.

June 23, 2004

McDermott Will & Emery LLP

By: 

Donald M. Griswold
600 Thirteenth Street, N.W.
Washington, D.C. 20005-3096
202-756-8000

Sworn to before me this
23 day of June, 2004



Notary Public
Commission expires:

Edith E. Brown
Notary Public, District of Columbia
My Commission Expires May 1 2009

McDermott Will & Emery LLP
Summary of Hourly Fees by Professional
for the period October 1, 2003 through April 30, 2004

<u>Name of Attorney</u>	<u>Graduation</u>	<u>Hours</u>	<u>Hourly Rate</u>
Theodore Bots	1994	276.20	430.00
John J. Dabney	1996	16.00	410.00
Paul Devinsky	1978	17.30	550.00
Christine Gill	1976	0.30	550.00
Eugene Goldman	1977	16.90	530.00
Robin L. Greenhouse	1984	18.40	530.00
Brent Gregoire	1993	46.10	420.00
Donald M. Griswold	1983	1004.30	650.00
Steven P. Hannes	1970	13.30	650.00
Holly K. Hemphill	1977	17.00	530.00
Francine Hochberg	2002	10.20	215.00
Gregory Kane	2002	0.50	250.00
Michael Kelleher	1974	186.60	650.00
Matthew S. Mock	2003	56.00	215.00
Joshua D. Odintz	1995	846.60	360.00
Erika Olsen	2000	1.30	315.00
James Riedy	1977	20.50	650.00
Stephen B. Selbst	1980	0.50	610.00
Joseph H. Selby	1999	160.40	285.00
Matthew K. White	1997	0.40	430.00
Margaret C. Wilson	1994	16.00	495.00
	Total Hours	2724.80	Blended Rate 463.10

<u>Name of Non-attorney Professional</u>	<u>Hours</u>	<u>Hourly Rate</u>
Eric Adams	0.30	105.00
Sheryl L. Beauregard	486.00	170.00
Michele L. Fregoni	0.30	180.00
Michelle C. Gast	2.50	145.00
Susan M. Katzbeck	2.50	195.00
Abigail L. Mitchell	24.00	160.00
Christopher A. Nordstrom	0.20	190.00
Roberta Peel	3.50	130.00
Tracy C. Smith	3.50	150.00
	Total Hours	522.80

McDermott Will & Emery LLP

Summary of Costs

for the period October 1, 2003 through April 30, 2004

	<u>October</u>	<u>November</u>	<u>December</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>Total</u>
Beverage Service						6.00		6.00
Business Meals			289.15	349.53	220.15	21.69	508.99	1389.51
Research	137.70	1351.76	1644.54	4732.20	1018.25	1252.59	5776.57	15913.61
Express Mail			28.33				33.14	61.47
Facsimile		13.00	29.00		10.00	94.00	35.00	181.00
Messenger/ Courier			12.47	6.92	54.89	6.92	104.16	185.36
Outside Copy Service					1031.95		72.00	1103.95
Photocopy	569.70	895.65	1068.20	1807.55	759.45	807.20	141.80	6049.55
Postage		0.37	1.11		0.74		0.60	2.82
Telecommunications	30.48	4.74	2.18	13.00	2.78	33.45	140.28	226.91
Transportation/Parking			77.00	264.85	111.50	10.00	299.52	762.87
Travel Expenses			2268.93	3319.33	1296.39	2895.66	3686.90	13467.21
Document Retrieval					30.30			30.30
Misc.		72.25		45.00		90.55		207.80
Record Review			300.00					300.00
TOTAL	737.88	2337.77	5720.91	10538.38	4536.40	5218.06	10798.96	39888.36

	<u>Total</u>	MWE	Allowed by Court
Beverage Service	6.00		
Business Meals	1389.51		
Research	15913.61		Reasonable Provided Not Luxury
Express Mail	61.47		Invoice
Facsimile	181.00	1.00	Reasonable
Messenger/ Courier	185.36		1.25
Outside Copy Service	1103.95		Reasonable
Photocopy	6049.55		Invoice
Postage	2.82	0.20	0.20
Telecommunications	226.91		Reasonable
Transportation/Parking	762.87		Cost
Travel Expenses	13467.21		Cost
Document Retrieval	30.30		Cost Provided Not Luxury
Misc.	207.80		
Record Review	300.00		
TOTAL	39888.36		

* All In House Expensed Items must be amount Paid by the Firm- No Profit.