

1 Robbin L. Itkin, Esq., CA Bar # 117105  
(Admitted Pro Hac Vice)

E-Filed: December 31, 2007

2 Katherine C. Piper, Esq., CA Bar # 222828  
(Admitted Pro Hac Vice)

3 **STEPTOE & JOHNSON LLP**  
2121 Avenue of the Stars, Suite 2800  
4 Los Angeles CA 90067  
Phone: (310) 734-3200  
5 Fax: (310) 734-3300  
Email: ritkin@steptoe.com  
6 Email: kpiper@steptoe.com

7 *Attorneys for Michael W. Carmel,*  
8 *Chapter 11 Trustee for the Estate of Thomas A. Hantges*

9  
10 **UNITED STATES BANKRUPTCY COURT**  
11 **FOR THE DISTRICT OF NEVADA**

12 In re:  
13 Thomas A. Hantges  
14 Debtor.

Case No.: 07-13163-LBR  
Chapter 11

**INITIAL INTERIM APPLICATION  
FOR COMPENSATION AND  
REIMBURSEMENT OF EXPENSES OF  
STEPTOE & JOHNSON LLP;  
MEMORANDUM OF POINTS AND  
AUTHORITIES IN SUPPORT  
THEREOF**

**Date: February 21, 2007**  
**Time: 9:30 a.m.**

19  
20 STEPTOE & JOHNSON LLP (“S&J”), counsel for Michael W. Carmel, in his capacity  
21 as Chapter 11 Trustee (the “Trustee”) for the Estate of Thomas A. Hantges, hereby submits its  
22 First Interim Application for Compensation and Reimbursement of Expenses of Steptoe &  
23 Johnson LLP (the “Application”) for services rendered during the period of June 11, 2007  
24 through November 30, 2007 (the “Initial Application Period”), pursuant to Sections 330 and  
25 331 of the United States Bankruptcy Code (the “Bankruptcy Code”), Rule 2016 of the Federal  
26 Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), Local Bankruptcy Rule 2016, the  
27 United States Trustee Guidelines for Region 17 (the “UST Guidelines”), and the *Order*  
28 *Approving Motion for Administrative Order (1) Establishing Procedures for Interim*

1 *Compensation and Reimbursement of Expenses of Professionals, and (2) Authorizing Payment*  
2 *of Chapter 11 Trustee at Hourly Rate on an Interim Basis* (the “Interim Compensation Order”)  
3 entered by this Court on August 24, 2007. *See* Docket No. 184. S&J has performed extensive  
4 services for the Trustee during the Interim Application Period comprised of 5,384 hours.  
5 Accordingly, pursuant to this Application, S&J respectfully requests that the Court enter an  
6 Order pursuant to Section 330(a) of the Bankruptcy Code approving and allowing the payment,  
7 subject to this Court’s final review, of: (1) S&J interim professional compensation for the  
8 Initial Application Period in the amount of \$1,382,346.40<sup>1</sup> for the reasonable and necessary  
9 services that S&J rendered to the Trustee during the Initial Application Period; and  
10 (2) reimbursement to S&J of actual and necessary expenses in the amount of \$57,155.49  
11 incurred by S&J on behalf of the Trustee during the Initial Application Period, for the  
12 aggregate total amount of \$1,439,501.89 (together the “Interim Fee Request”).<sup>2</sup>

---

13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
<sup>1</sup> This amount represents the total amount of fees incurred by S&J during the Initial Application Period, net of the 20% fee holdback required by this Court’s Interim Compensation Order. Therefore, while the exhibits hereto include amounts billed in excess of the total requested amount of compensation for fees incurred, as a result of the inclusion of the 20% fee holdback amount, S&J is not asking for approval of such 20% fee holdback amount at this time (which amount is approximately \$345,000 for the Interim Application Period). Instead, S&J will request approval of such amount in its final application for compensation in this bankruptcy case.

24  
25  
26  
27  
28  
<sup>2</sup> S&J recognizes that currently there are not sufficient funds available in or to the Estate to pay the entire Interim Fee Request in full and that such funds will need to be paid at a later date from the Estate to the extent funds are available, either pursuant to further funding arrangements for the Estate or other assets of the Estate.

1 A description and analysis of the professional services rendered and the expenses  
2 incurred by S&J which support this Application are set forth in the attached Application  
3 Summary Sheet, Memorandum of Points and Authorities and Exhibits.  
4

5 Dated: December 31, 2007

6 Respectfully submitted,

7 **STEPTOE & JOHNSON LLP**

8 By: /s/ Robbin L. Itkin

9 Robbin L. Itkin, Esq.

10 Katherine C. Piper., Esq.

11 2121 Avenue of the Stars, Suite 2800

12 Los Angeles, California 90067

13 Attorneys for Michael W. Carmel,  
14 Chapter 11 Trustee for the Estate of Thomas A.  
15 Hantges  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

**Application Summary Sheet Per UST Guidelines**

|                                     |                |
|-------------------------------------|----------------|
| <b>Total Fees Requested:</b>        | \$1,382,346.40 |
| <b>Total Expenses Requested:</b>    | \$57,155.49    |
| <b>Total Fees Paid to Date:</b>     | \$1,255,499.60 |
| <b>Total Expenses Paid to Date:</b> | \$43,361.23    |

| <u>Attorney Name</u>  | <u>Title</u> | <u>Date of First Bar Admission</u> | <u>Hours</u> | <u>Rate</u>     | <u>Aggregate Amount Billed</u> |
|-----------------------|--------------|------------------------------------|--------------|-----------------|--------------------------------|
| B.F. Gardner          | Associate    | 2007                               | 124.50       | \$255.00        | \$31,747.50                    |
| C.A. Jordan           | Associate    | 2004                               | 5.70         | \$290.00        | \$1,653.00                     |
| J.M. Goldman          | Associate    | 2004                               | 206.00       | \$310.00        | \$63,860.00                    |
| J.L. Kneedler         | Associate    | 2005                               | 14.10        | \$330.00        | \$4,653.00                     |
| S. F. Gottlieb        | Of Counsel   | 1993                               | 521.60       | \$365.00        | \$190,384.00                   |
| M. Abner              | Associate    | 2003                               | 58.00        | \$370.00        | \$21,460.00                    |
| K. Sieverding         | Associate    | 2004                               | 15.90        | \$370.00        | \$5,883.00                     |
| N.C. McGlynn          | Associate    | 1988                               | 163.10       | \$395.00        | \$64,424.50                    |
| C.A. Veltman          | Associate    | 2002                               | 15.70        | \$405.00        | \$6,358.50                     |
| K.C. Piper            | Associate    | 2002                               | 342.10       | \$420.00        | \$143,682.00                   |
| J.R. Taylor           | Associate    | 2000                               | 7.00         | \$430.00        | \$3,010.00                     |
| A. Nocjar             | Associate    | 1999                               | 38.20        | \$475.00        | \$18,145.00                    |
| S.M. Kopman           | Contr Atty   | 1993                               | 399.50       | \$490.00        | \$195,755.00                   |
| F.J. Burke            | Partner      | 1974                               | 217.40       | \$510.00        | \$83,895.00                    |
| G.R. Yates            | Partner      | 1989                               | 164.50       | \$510.00        | \$110,874.00                   |
| M. Herrington         | Partner      | 1994                               | 19.30        | \$520.00        | \$10,036.00                    |
| S. Wolf               | Partner      | 1981                               | 4.40         | \$525.00        | \$2,310.00                     |
| S.B. Teplinsky        | Partner      | 1996                               | 8.30         | \$650.00        | \$5,395.00                     |
| R.L. Itkin            | Partner      | 1984                               | 770.60       | \$695.00        | \$535,567.00                   |
| <b>Blended Rate =</b> |              |                                    |              | <b>\$437.63</b> |                                |

| <u>Paraprofessional<br/>Name</u> | <u>Title</u> | <u>Hours</u> | <u>Rate</u> | <u>Aggregate Amount<br/>Billed</u> |
|----------------------------------|--------------|--------------|-------------|------------------------------------|
| J. Holsclaw                      | Legal Asst   | 12.80        | \$80.00     | \$1,024.00                         |
| M. France                        | Legal Asst   | 40.70        | \$80.00     | \$3,256.00                         |
| S. Short                         | Pract Supp   | 537.00       | \$80.00     | \$42,960.00                        |
| A. Curry                         | Pract Supp   | 166.20       | \$80.00     | \$13,296.00                        |
| C.A. Dunlap                      | Legal Asst   | 79.30        | \$80.00     | \$6,344.00                         |
| A. Fileccia                      | Pract Supp   | 18.80        | \$80.00     | \$1,504.00                         |
| J. Littrel                       | Pract Supp   | 38.30        | \$80.00     | \$3,064.00                         |
| G. Wilson                        | Pract Supp   | 91.60        | \$80.00     | \$7,328.00                         |
| S. Raju                          | Pract Supp   | 134.90       | \$80.00     | \$10,792.00                        |
| L. Briscoe                       | Pract Supp   | 310.60       | \$80.00     | \$24,848.00                        |
| G. Potter                        | Pract Supp   | 291.50       | \$85.00     | \$24,777.50                        |
| S. Kravitz                       | Pract Supp   | 83.10        | \$85.00     | \$7,063.50                         |
| C. Llorin                        | Legal Asst   | 2.00         | \$135.00    | \$270.00                           |
| J. Ruddy                         | Legal Asst   | 57.40        | \$140.00    | \$8,036.00                         |
| K. Hollingsworth                 | Legal Asst   | 283.00       | \$175.00    | \$49,525.00                        |
| K. Eckert                        | Legal Asst   | 121.90       | \$175.00    | \$21,332.50                        |
| S. McLoughlin                    | Legal Asst   | 19.00        | \$180.00    | \$3,420.00                         |

1 **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I. INTRODUCTORY STATEMENT**

3 The Debtor in this case, Thomas A. Hantges, is the master mind or one of the  
4 masterminds behind a complex network of hundreds of entities, many of which are or have  
5 been debtors in bankruptcy cases before this Court, including, without limitation, USA  
6 Commercial Mortgage Company (“USACM”), USA Investment Partners, LLP (“USAIP”), and  
7 USA Capital Diversified First Trust Deed Fund, LLC (“Diversified”). These entities have been  
8 utilized by the Debtor to conceal assets of the Debtor from creditors.

9 From the very beginning of this case it was clear that the Trustee and S&J would need  
10 to engage in a painstaking investigation and analysis of hundreds of entities, dozens of bank  
11 accounts across numerous financial institutions, and a mountain of documentary evidence to  
12 begin to trace the actions of the Debtor and to locate his assets. As if this effort were not  
13 difficult enough, the Debtor himself has proved a roadblock to progress in this Bankruptcy  
14 Case as he has attempted to use the Fifth Amendment privilege against self-incrimination at  
15 every turn both as a shield and a sword – selectively providing sworn statements on his  
16 Schedules of Assets and Liabilities and Statement of Financial Affairs about certain aspects of  
17 his financial condition, assets and liabilities, and then refusing to answer questions about the  
18 same. Moreover, to date the Debtor has refused to comply with his obligation to list his  
19 ownership or financial interests in any of the hundreds of business entities in which he has  
20 been involved.

21 Accordingly, in the approximate six month period covered by this Application, S&J has  
22 been engaged in a massive effort to untangle the Debtor’s affairs, determine where assets may  
23 be located and to advise the Trustee on methods for potential recovery of those assets for the  
24 Estate. This is in addition to attempting to determine what obligations were inherited by the  
25 Estate upon the commencement of this case by virtue of the Debtor’s official or managerial  
26 roles with respect to the various entities and addressing all the other legal matters that occur in  
27 any ongoing chapter 11 case, all of which efforts were made significantly more time  
28

1 consuming, costly and protracted due to the Debtor's refusal to provide the necessary  
2 information about his personal and business assets and holdings.

3         Additionally, it was understood when this involuntary case was filed that the Trustee's  
4 and his professionals' efforts to recover assets may not be recognizable in terms of tangible  
5 assets necessarily brought into this Estate, but that such efforts would benefit the creditors of  
6 this Estate (the largest of which appear to be the petitioning creditors involved in the related  
7 bankruptcy cases), in terms of uncovering information that would be critical to those creditors'  
8 attempts to realize assets for their respective Estates. S&J is faced with a huge undertaking in  
9 this case to do what is necessary for this Estate and its creditors and, to date, as reflected in this  
10 Application, S&J has taken the appropriate steps to accomplish this task.

11 **II. OVERVIEW OF THE CHAPTER 11 CASE**

12 **A. The Commencement of the Case and the Appointment of the Trustee.**

13         1. On May 29, 2007, USACM Liquidating Trust (f/k/a USA Commercial  
14 Mortgage Company) ("USACM Trust"), USA Diversified Trust Deed Fund, LLC  
15 ("Diversified"), and Nevada State Bank ("Nevada Bank") filed an involuntary petition for  
16 relief against the Debtor, Thomas A. Hantges, under Chapter 11 of the Bankruptcy Code, Case  
17 Number 07-13163-LBR (the "Bankruptcy Case"). *See* Docket No. 1.

18         2. On June 7, 2007, this Court entered its *Order on the Appointment of an*  
19 *Interim Trustee* appointing an interim trustee over the Debtor's estate (the "Interim Trustee  
20 Order"). *See* Docket No. 30.

21         3. On June 8, 2007, the Trustee was appointed as the interim trustee for the  
22 Debtor's estate pursuant to the *Appointment of Michael W. Carmel as Interim Trustee for the*  
23 *Estate of Thomas A. Hantges*. *See* Docket No. 31.

24         4. On June 22, 2007 (the "Relief Date"), an order for relief (the "Relief  
25 Order") was entered granting the involuntary petition and confirming Michael W. Carmel's  
26 appointment as trustee in this case. *See* Docket No. 69.

1           5.       On June 25, 2007, the Court entered an Order approving the Trustee's  
2 retention of Steptoe & Johnson LLP and the Law Offices of Brian D. Shapiro, LLC (local  
3 counsel), as attorneys for the Trustee. *See* Docket No. 70.

4           6.       No committees have been appointed in this Bankruptcy Case.

5           **B.       The Post-Petition Financing Stipulation**

6           7.       At the commencement of this Bankruptcy Case, the petitioning creditors  
7 recognized that there were limited, if any, funds in the Debtor's estate to fund the extensive  
8 efforts of the Trustee and S&J necessary to fulfill the requirements of this case. Accordingly,  
9 S&J and the Trustee negotiated with the USACM Trust, which appears to be the largest  
10 creditor of the Estate, to procure a loan for the Estate so that the Trustee and his professionals  
11 would be able to conduct the significant investigation, analysis and other services necessary to  
12 maximize creditor recoveries, whether directly through this Estate or otherwise.

13           8.       On July 27, 2007, the Trustee filed his *Motion for Order Authorizing and*  
14 *Approving Stipulation for Post-Petition Financing Pursuant to 11 U.S.C. §364(c)(1), (2) and*  
15 *(3)* (the "Fee Stipulation"). *See* Docket No. 134.

16           9.       On August 24, 2007, this Court entered an order approving the Fee  
17 Stipulation. *See* Docket No. 185.

18           10.      Pursuant to the Fee Stipulation, the USACM Trust agreed to loan the  
19 Trustee \$1.5 million (the "Loan Amount") for the purpose of paying (a) the fees and costs  
20 incurred by the Trustee and his professionals in performing their duties to investigate, locate  
21 and identify assets and to maximize value on behalf of the Debtor's estate and its creditors; (b)  
22 quarterly fees owing to the Office of the United States Trustee ("UST") pursuant to the UST  
23 Guidelines, and (c) other expenses necessary to administer the Debtor's estate.

24           11.      In exchange for the foregoing loan to the Trustee, the USACM Trust  
25 received a first priority lien on all assets in the Debtor's estate that currently exist or are  
26 recovered in the future that are unencumbered and a junior lien on otherwise encumbered  
27 assets pursuant to Section 364(c)(2) and (3) of the Bankruptcy Code.  
28

1           12. Further, the USACM Trust was granted a super-priority administrative  
2 claim over all administrative expenses of the kind specified in Sections 503(b) and 507(b) of  
3 the Bankruptcy Code, up to and including the Loan Amount, pursuant to Section 364(c)(1).

4           **C. The Interim Compensation Order and Procedures.**

5           13. On August 24, 2007, this Court entered the Interim Compensation Order.  
6 *See* Docket No. 184.

7           14. Pursuant to the Interim Compensation Order, each month prior to the 15th  
8 day of the month, the Trustee and his professionals submit to certain reviewing parties (the  
9 “Reviewing Parties”), including the UST, statements of fees and expenses incurred for the  
10 preceding month. The reviewing parties then have 15 days to review each fee and expense  
11 statement and to raise any objections with the Trustee and the applicable professional. Should  
12 no objections be received, the Trustee is then authorized to reimburse himself and each  
13 professional 80% of the fees incurred and 100% of the costs incurred in the preceding month  
14 (which is accomplished pursuant to the USACM Trust wiring such fees and costs approved on  
15 a monthly basis to the Trustee, who then distributes the appropriate amounts due to his  
16 professionals), subject to this Court’s interim and final review pursuant to the Bankruptcy  
17 Code.

18           15. To date, all of the monthly fee and expense statements of S&J for the Initial  
19 Application Period have been submitted in a timely manner on a monthly basis to the  
20 Reviewing Parties, including the UST, in accordance with the Interim Compensation Order  
21 and Fee Stipulation. On no occasion has S&J received objections to any of such statements.  
22 Accordingly, in accordance with the Interim Compensation Order and Fee Stipulation, to date  
23 the Trustee has remitted to S&J the total of \$1,255,499.60 for reasonable and necessary fees  
24 incurred by S&J and the total of \$43,361.23 for reimbursement of actual and necessary  
25 expenses incurred by S&J during the Initial Application Period. The amount of fees set forth  
26 in the preceding sentence reflects the total fees incurred by S&J through October 2007 net of  
27  
28

1 the 20% fee holdback required by the Interim Compensation Order for the Initial Application  
2 Period.<sup>3</sup>

3 **D. Case Status**

4 16. The Trustee is performing his duties as prescribed by Section 1106 of the  
5 Bankruptcy Code. As such, S&J continues to assist the Trustee with the legal aspects of the  
6 normal administrative responsibilities that are typical in similar Chapter 11 proceedings.  
7 However, given the lack of cooperation by the Debtor in this Bankruptcy Case, the enormously  
8 complex structure of the Debtor's web of equity interests and asset diversion efforts, and the  
9 need to garner as much information as possible regarding the Debtor and his assets as quickly  
10 as possible, S&J has been required to provide significantly greater services than typically  
11 needed to be expended to assist a trustee in his duties.

12 17. Since the Order for Relief, S&J's work in this case has been particularly  
13 focused on the investigation and analysis of the Debtor's numerous business entities, business  
14 operations, assets and liabilities, and assessment of the optimal means of garnering such assets  
15 for the benefit of the Estate. Specifically, S&J has been analyzing hundreds of business and  
16 trust entities in which the Debtor holds or has recently held, either directly or indirectly, equity  
17 interests or management control, or with which the Debtor has or had recent business dealings,  
18 all of which information not only affects a determination as to what assets may exist so that a  
19 strategy can be determined regarding recovery, but also significantly affects the daily  
20 administration of the Estate by the Trustee and the legal issues resulting therefrom. The  
21 volume of information to obtain and review is overwhelming and S&J has attempted to  
22 complete its duty to assist the Trustee in his investigation and analysis as quickly and  
23 efficiently as possible.

24  
25  
26  
27 <sup>3</sup> As of the date of this Application, S&J has not been reimbursed for the fees or costs incurred for the month of  
28 November 2007. S&J recognizes that currently there are not sufficient funds available in the Estate to pay such  
fees and costs in full and that such funds will need to be paid at a later date from the Estate to the extent funds are  
available, either pursuant to further funding arrangements for the Estate or other assets of the Estate.

1 **III. S&J First Interim Application for Compensation**

2 18. S&J now files this Application seeking allowance and approval of (1) S&J's  
3 interim professional compensation for the Initial Application Period in the amount of  
4 \$1,382,346.40 for the reasonable and necessary services that S&J rendered to the Trustee  
5 during the Initial Application Period, subject to final review by the Court; and  
6 (2) reimbursement of actual and necessary expenses in the amount of \$57,155.49 incurred by  
7 S&J on behalf of the Trustee during the Initial Application Period, for the aggregate total of  
8 \$1,439,501.89. As set forth above, S&J recognizes that at this time there are not sufficient  
9 funds available in the Estate for payment of the full Interim Fee Request, and that such  
10 amounts will need to be paid by the Estate at a later date as funds become available.

11 19. Through this Application, S&J does not seek approval and allowance of  
12 payment to S&J of the 20% fee holdback required by the Interim Compensation Order  
13 (approximately \$345,000 for the Interim Application Period), and defers that approval and  
14 payment request to the final hearing on compensation in this Bankruptcy Case.

15 20. Further, it should be noted that the Interim Fee Request reflects that, as an  
16 accommodation to the Trustee and the creditors in this case, during the Initial Application  
17 Period S&J voluntarily wrote off a total of \$261,584.50 in fees and \$35,857.67 in expenses (a  
18 total reduction of \$297,442.17 incurred in this case). This was a drastic reduction in the fees  
19 and costs incurred by S&J and of great benefit to the Estate and its creditors, particularly  
20 USCAM Trust, the creditor funding this case to date. S&J voluntarily has reduced the rates of  
21 certain attorneys and paralegals in this Bankruptcy Case to accommodate the extensive amount  
22 of work required notwithstanding the limited budget and exigencies involved in this  
23 Bankruptcy Case, which reduced rates are reflected on **Exhibit A** and **Exhibit C** hereto.  
24 Further, despite the fact that team meetings and conference calls are necessary for the proper  
25 and efficient running of the Trustee's legal team, especially in cases such as this where  
26 numerous tasks must be completed in a limited period of time, except in unusual circumstances  
27 where the client or a third party was involved, S&J, as requested by the USACM Trust, either  
28 wrote off team meetings and conference calls or did not bill for all attendees. All of the above

1 unique cost saving measures were implemented to assist the Trustee in this Bankruptcy Case in  
2 light of the exigent circumstances of this case, including the complicated analysis that needs to  
3 be accomplished within a limited time and pursuant to a limited budget.<sup>4</sup>

4 21. Moreover, S&J bills in accordance with the UST Guidelines, including, but  
5 not limited to, regularly reducing its expenses, particularly expenses related to travel, and only  
6 billing attorney time for travel at 50% of the total time spent. And certainly S&J regularly  
7 reviews its bills to ensure that the Trustee is only billed for services that are actual and  
8 necessary and devoid of duplicate services.

9 **B. S&J's Services Rendered During The Initial Application Period**

10 22. In compliance with the requirements of the UST Guidelines, S&J created  
11 the following separate task code categories for the types of services it anticipated rendering to  
12 the Trustee in this case: (i) Task Code 101 – Asset Analysis and Recovery; (ii) Task Code 102  
13 – Asset Disposition; (iii) Task Code 103 – Business; (vi) Task Code 104 – Case  
14 Administration; (v) Task Code 105 – Claims Administration and Objections; (vi) Task Code  
15 106 – Employee Benefits/Pension; (vii) Task Code 107 – Fee/Employment Applications; (viii)  
16 Task Code 108 – Fee/Employment Objections; (ix) Task Code 110 – Adversary Proceedings;  
17 (x) Task Code 111 – Meetings of Creditors; (xi) Task Code 112 – Plan and Disclosure  
18 Statement; (xii) Task Code 113 – Relief from Stay Proceedings; (xiii) Task Code 114 –  
19 Executory Contracts/Leases; (xiv) Task Code 115 – Post-Petition Financing; (xv) Task Code  
20 116 – Hearings; (xvi) Task Code 118 – Children's Education Trust Litigation; and (xvii) Task  
21 Code 119 – Tax Matters.

22 23. As S&J has progressed in its services provided to the Trustee in this case,  
23 additional task codes have been established as needed to differentiate the types of tasks  
24 performed. However, so as to avoid confusion among those parties that have been reviewing  
25 the monthly bills of S&J pursuant to the Interim Compensation Order (the Reviewing Parties),  
26

---

27 <sup>4</sup> Accordingly, the cost saving measures and reductions implemented in this Bankruptcy Case are unique to this  
28 case and an accommodation in light of the complex and fragile circumstances of this case, and should not be  
interpreted as precedent for S&J's representation of clients in other matters.

1 S&J has not retroactively transferred time from prior task codes to new task codes as they have  
2 been opened. Accordingly, as new task codes have been opened in this case, time has been  
3 entered in such respective task codes on a going forward basis. In addition, not every task code  
4 has yet been used by S&J in the representation of the Trustee in this case. The following  
5 represents the more significant services S&J performed on behalf of the Trustee, set forth by  
6 task code, during the Initial Application Period.<sup>5</sup>

7 (1) **Asset Analysis and Recovery (Task Code 101).**<sup>6</sup>

8 24. Clearly, and as set forth above, S&J's services during the Initial Application  
9 Period primarily have included services in this category. Specifically, S&J has expended  
10 4,121.40 hours performing services and incurred \$1,219,144.50 in fees in this task code  
11 category.

12 25. As set forth above, at the time that the Trustee and S&J were asked to  
13 participate in this Bankruptcy Case, while it was recognized that the Debtor was involved in  
14 hundreds of related entities in an attempt to conceal assets, the location and extent of Debtor's  
15 assets were unknown.

16 26. The Debtor repeatedly has refused to assist the Trustee in identifying assets  
17 and, as discussed below, has hindered the investigation by the Trustee to such a point that the  
18 Trustee was forced to move to compel the Debtor to provide information as to the whereabouts  
19 of certain of his assets. Set forth below are the more significant areas of asset analysis and  
20 recovery services that have been performed by S&J to assist the Trustee with his efforts to  
21 locate and garner assets of the Estate.

---

22  
23  
24 <sup>5</sup> All effort has been made to include similar services within a single task code. However, in certain instances the  
25 nature of the services rendered required portions of such services to be listed in more than one task code. In no  
26 event, however, are there duplicate listings of services rendered. S&J shall correct any inaccuracies discovered in  
future fee applications.

27 <sup>6</sup> The fees incurred in each task code category as set forth in this Application and the Exhibits hereto represent the  
28 gross amount of fees incurred by S&J during the Interim Application Period, inclusive of the 20% fee holdback  
required by the Interim Compensation Order; however, as set forth above, S&J is not requesting approval of such  
20% fee holdback at this time.

1 (a) *Investigation of Estate Assets Generally*

2 27. Immediately upon being retained by the Trustee, S&J began working with  
3 various interested parties to obtain as much information as possible regarding the Debtor and  
4 his business ventures, including his involvement in the other bankruptcy cases. S&J learned of  
5 hundreds of business entities and transactions related to the Debtor and related entities,  
6 evidenced by thousands of documents held by various financial institutions and other parties.  
7 Significant time was spent by S&J in this task code analyzing thousands of documents in an  
8 effort to piece together the Debtor's investments, equity interests and asset locations. This was  
9 a mammoth effort that required significant time and resources.

10 28. Through S&J's diligence, hundreds of business entities and trusts potentially  
11 utilized as vehicles through which the Debtor has, or recently had, an equity interest,  
12 controlling interest, or business dealings are being analyzed. Accordingly, S&J has spent  
13 extensive time analyzing Secretary of State filings, organizational documents, assignment  
14 agreements and other transactional documents in an effort to identify which entities the Debtor  
15 truly controlled or had an interest in an effort to locate potential assets for the Estate.

16 29. S&J also negotiated the release of the Debtor's sealed divorce proceeding  
17 records with the Debtor's former bankruptcy counsel and analyzed documentation obtained  
18 from such records, including deposition transcripts and affidavits regarding the Debtor's assets.  
19 Further, time was spent by S&J researching and preparing pleadings in defense of the Debtor's  
20 request that this Court order the establishment of a budget providing that Estate assets should  
21 be used to support the Debtor's extravagant lifestyle and in attempting to resolve that motion  
22 (the Trustee and his counsel even flew to Las Vegas to meet with Debtor's new bankruptcy  
23 counsel once on board, but a resolution was not reached at that time regarding the Debtor's  
24 requested budget or other matters). Subsequent to the Initial Application Period, and recently,  
25 the Debtor's new counsel withdrew the Debtor's budget motion.

26 (b) *Turnover of Certain of the Debtor's Property*

27 30. Despite the Debtor's lack of cooperation generally in this Bankruptcy Case,  
28 S&J was instrumental in negotiating the turnover of certain personal property assets to the

1 Trustee during the Initial Application Period. Pursuant to a stipulation negotiated among S&J  
2 and the Debtor's previous counsel, certain personal property held by the Debtor at his home  
3 was recovered by the Trustee and is being held in safekeeping by the Debtor's (now former)  
4 counsel and the Trustee pending resolution of the status of such personal property as assets of  
5 the Estate. This property includes jewelry, artwork and firearms, as well as rare coins that  
6 were all previously in the Debtor's possession. S&J and the Trustee also negotiated the  
7 turnover of approximately \$177,000 paid out to related parties by the Debtor at the  
8 commencement of the case.

9 (c) *Sale of the Pecos Property*

10 31. Time in this task code category was also spent evaluating the Debtor's  
11 interest in Pecos Professional Partnership, LP (the "Partnership"), a limited partnership  
12 managed by one of the Debtor's wholly owned entities, which holds title to a parcel of  
13 commercial real estate in Las Vegas. Shortly after being engaged in this Bankruptcy Case, the  
14 Trustee and S&J discovered, from third parties and not from the Debtor, that the Partnership,  
15 through the Debtor, had entered into a contract for the sale of the Pecos Property. The Trustee  
16 immediately engaged S&J to evaluate the sale, renegotiate a sale that by its terms would bring  
17 cash into the estate as opposed to the sale that had been agreed to by the Debtor previously, and  
18 to bring a motion before this Court for approval of the renegotiated sale under Section 363 of  
19 the Bankruptcy Code so that such sale would be protected by Court order. S&J accomplished  
20 this. A sale was negotiated with the buyer that was to bring cash into the Estate and a sale  
21 motion was filed. The motion was opposed by several parties and this Court eventually ruled  
22 that the Trustee had authority to sell the Pecos Property through his ability to operate the  
23 Debtor's businesses, but that the Pecos Property itself was not under the jurisdiction of the  
24 Court.

25 32. Ultimately, when the Trustee moved forward to close the sale of the Pecos  
26 Property with the proposed buyer, such buyer, who is not a stranger to the Hantges and  
27 Milanowski entities, breached the sale agreement and refused to close the sale for a stated lack  
28 of funding to close. Since that time, S&J actively has been working with the Trustee and the

1 senior lienholder on the property to develop a strategy for the sale of the property that will  
2 bring funds into the Estate. The Trustee and S&J are also considering their legal options  
3 against the proposed buyer in light of the economics of the case. As of the date of this  
4 Application, a buyer for the Pecos property has not been located and foreclosure by the  
5 lienholder may be the most appropriate and efficient alternative.

6 (d) *Investigation of Children's Education Trust*

7 33. Upon investigation of the Debtor's assets, the Trustee and S&J quickly  
8 determined that one possible source of Estate property was The Hantges Children's Education  
9 Trust (the "Education Trust"). Currently the Education Trust holds approximately \$2.5 million  
10 in cash and interests in other assets that are a potential source of recovery for the Estate and its  
11 creditors.

12 34. S&J was instrumental in the negotiation of two stipulations with the trustee  
13 of the Education Trust and the Education Trust's counsel to coordinate a process through  
14 which the Trustee could investigate the propriety and validity of the Education Trust and the  
15 source of its assets while preserving those assets and preventing their dissipation.

16 35. Given the limited time period for the Trustee to conduct his examination or  
17 risk the disposition of the Education Trust assets upon expiration of the stipulation without  
18 assurance of renewal, S&J has expended significant hours analyzing the transactions of the  
19 trust over the last decade, including reviewing and analyzing bank records from numerous  
20 different banks, analyzing and tracing funds from various investments made by the Education  
21 Trust, examining numerous transactions and tax matters and, perhaps most significantly,  
22 piecing together the relationship between the Debtor and the Education Trust and its  
23 investments. S&J was compelled to issue 2004 document subpoenas to numerous institutions  
24  
25  
26  
27  
28

1 holding records related to the Education Trust, and has received thousands of pages of  
2 document responses to date that have been and are being reviewed.<sup>7</sup>

3 (e) **2004 Examinations and Third Party Subpoenas**

4 36. As discussed above, during the Initial Application Period the Debtor in this  
5 Bankruptcy Case has elected to invoke his Fifth Amendment right against self-incrimination  
6 with respect to virtually everything in this Bankruptcy Case – even matters on which he  
7 previously testified under oath in his Schedules and Statement of Financial Affairs.  
8 Accordingly, neither S&J nor the Trustee have received much information from the Debtor  
9 regarding his various business interests or assets.

10 37. As such, S&J has been forced to obtain approval from this Court to issue  
11 subpoenas *duces tecum* to third party entities that may have information about the Debtor and  
12 his assets. To date, S&J has prepared and filed motions seeking approval of Rule 2004  
13 examinations of over 100 different entities and has issued over 30 of such subpoenas to entities  
14 across the United States. As a result of S&J's efforts, the Trustee already has compiled a  
15 database of over 20,000 pages of documents received from various parties in this Bankruptcy  
16 Case, with more document productions arriving on a weekly basis. S&J has led the review and  
17 analysis of all document productions received as the effort to identify and locate the Debtor's  
18 assets continues.

19 (f) **Motions to Compel**

20 38. As part of the effort to obtain further information about the Debtor's assets,  
21 S&J performed services during the Initial Application Period researching, investigating and  
22 drafting two motions to compel, along with their accompanying declarations. First, S&J  
23 prepared a motion to compel the production of documents from Charles Schwab & Company,  
24 Inc. ("Schwab"). Through S&J's analysis of various account records from Schwab, the  
25

---

26 <sup>7</sup> Because pleadings pertaining to the Trustee's investigation have not yet been filed with the Court, the details are  
27 omitted here to maintain the confidentiality of the Trustee's investigation. In addition, as the commencement of at  
28 least one appropriate adversary action became likely, S&J began to bill time associated with the research for and  
preparation of such potential adversary proceeding in task code category 110. In no event, however, are there  
duplicate listings of services rendered.

1 Trustee and his professionals have learned that the Debtor may have certain funds in various  
2 accounts managed by Schwab. However, until S&J can fully analyze the information held by  
3 Schwab, the Trustee cannot determine what, if any, assets of the Estate are currently being held  
4 in Schwab accounts. Accordingly, the Trustee instructed S&J to file the motion to compel to  
5 obtain further documents from Schwab that were not being produced despite the subpoena. As  
6 a result of the motion to compel, Schwab agreed to produce the remaining documents and, as  
7 of the date hereof, it appears it will be unnecessary for the motion to move forward as a  
8 contested matter.

9           39. Even more significantly, however, S&J performed services in this Initial  
10 Application Period researching and preparing the *Motion To Compel Debtor To Complete*  
11 *Bankruptcy Schedules, Testify And Surrender Property Of The Estate* and its accompanying  
12 declarations. Because of the Debtor's repeated invocations of the Fifth Amendment where the  
13 privilege against self-incrimination either does not apply as a matter of law or has been waived,  
14 and the gravity of these actions, out of necessity S&J engaged in extensive research and  
15 analysis of Fifth Amendment jurisprudence and in preparing the motion to compel, after S&J's  
16 efforts to consensually resolve the need for information from the Debtor with Debtor's counsel  
17 failed. The motion to compel was scheduled for hearing after the Initial Application Period  
18 and on the date of the hearing, the Debtor and the Trustee were able to reach a consensual  
19 resolution of the motion to compel, pursuant to which the Debtor is supposed to produce  
20 certain information and documents to the Trustee.

21           40. The extensive services performed by S&J in the asset analysis and recovery  
22 category<sup>8</sup> have culminated, in part, with S&J preparing an extensive adversary action seeking  
23 to recover significant assets for the benefit of the Estate that will soon be filed with this Court.

24                           **(2) Business Operations (Task Code 103).**

25           41. During the Initial Application Period, S&J spent 151.30 hours performing  
26 services and incurred \$72,064.00 in fees in this task code category.

27 \_\_\_\_\_  
28 <sup>8</sup> As discussed above, certain of such services were recorded in task code category 110 as the theories for the  
adversary proceeding were developed.

1 42. As S&J learned more about the Debtor and his connections to numerous  
2 business entities, it became apparent that the Debtor's managerial or controlling interest in  
3 various businesses made him (and thereby the Trustee standing in the Debtor's shoes)  
4 responsible for the management of certain entities. Of the utmost priority to the Trustee and  
5 S&J was to determine which entities the Debtor controlled and/or managed and, of those,  
6 which were the Debtor's responsibility for tax filing purposes and other significant matters.  
7 Therefore, in this task code, S&J performed services analyzing the Debtor's various business  
8 interests from a tax filing perspective, including reviewing the organizational documents  
9 regarding such interests and working with the Trustee's tax advisors as well as the trustees for  
10 the USAIP and Milanowski bankruptcy estates to determine the Trustee's tax return  
11 obligations for the Estate.

12 43. In addition, S&J expended services analyzing the ability of the Trustee to  
13 remove the Debtor from his role as director or officer of certain entities, and working with the  
14 trustee for the Milanowski Estate to remove the Debtor and Mr. Milanowski from those roles  
15 where appropriate. This endeavor included researching the applicable law regarding  
16 corporations and limited liability companies, as well as drafting various resignations for the  
17 Debtor and Mr. Milanowski and negotiating their execution of the same.

18 44. Services performed in this task code also include S&J's analysis of the  
19 Debtor's interest in USA Commercial Real Estate Group ("USAREG"), a venture between the  
20 Debtor and Mr. Milanowski that currently holds certain assets that may be recoverable for the  
21 Estate. S&J has been in constant communication with the professionals representing the  
22 trustee of the Milanowski Estate regarding the agreed upon method of management and  
23 operation of USAREG and the recovery of assets from that entity for both bankruptcy estates  
24 in their aliquot shares.

25 **(3) Case Administration (Task Code 104).**

26 45. During the Initial Application Period, S&J expended 423.50 hours  
27 performing services and incurred \$129,366.00 in fees in this task code category.  
28

1 46. S&J rendered extensive services required to aid the Trustee in the  
2 administration of the Estate for the benefit of the creditors, as the administration of this estate  
3 by the Trustee has fostered daily legal issues. These services included advising the Trustee on  
4 possible strategies for properly administering the Estate and legal obligations in connection  
5 therewith, monitoring the various other bankruptcy cases for implications regarding this  
6 Bankruptcy Case, responding to inquiries from creditors and other interested parties regarding  
7 the progress of the case and the potential outcome of the Trustee's efforts, and monitoring and  
8 maintaining the critical tasks and deadlines in this and the other bankruptcy cases for the  
9 Trustee.

10 47. Moreover, because the Debtor was not forthcoming regarding potential  
11 lawsuits in which he may be involved, S&J performed services in this task code category  
12 attempting to determine the civil actions, appeals and adversary proceedings to which the  
13 Debtor is a party, and then preparing and serving notices of commencement in such cases.  
14 S&J also performed services meeting with the various interested parties to understand  
15 necessary facts and avoid duplication of efforts.

16 48. In addition, S&J established a public website so that the numerous parties  
17 with potential interests in this case could have access to the Bankruptcy Case information  
18 through the Internet. Therefore, time spent in this task code also includes time monitoring and  
19 updating the website with the various important deadlines, pleadings and hearings in this  
20 Bankruptcy Case on an ongoing basis, not to mention the numerous calls that S&J receives  
21 regarding claims against and matters concerning the Estate.

22 (4) **Claims Administration and Objections (Task Code 105).**

23 49. During the Initial Application Period, S&J expended 93.60 hours and  
24 incurred \$29,168.50 in fees performing services in this task code.

25 50. S&J prepared and served the bar date notice on over 8,000 potential  
26 interested parties from all of the bankruptcy cases to ensure the broadest possible notice of the  
27 bar date. As a result of that effort, S&J has handled calls from over 200 potential creditors  
28 seeking information regarding the Bankruptcy Case and the claims filing process. Further, as

1 of the date of this Application, the Court's public claim register shows that over 700 proofs of  
2 claim have been filed against the Debtor totaling over \$ 300 million in claims asserted.

3 51. Moreover, S&J negotiated an extension of the time by which the Trustee  
4 must file proofs of claim against certain of the other bankruptcy estates, reviewed various and  
5 significant pleadings filed in the related bankruptcy cases to determine whether they impact  
6 potential claims of the Estate, and prepared and filed initial protective proofs of claim and  
7 proofs of interest on behalf of the Trustee in related bankruptcy cases. S&J also has performed  
8 services in this task code commencing the analysis of what claims the Trustee may have  
9 against third parties and in negotiating with counsel for trustees in the related cases regarding  
10 their extension of time to file claims in this case.

11 (5) **Fee/Employment Applications (Task Code 107).**

12 52. During the Initial Application Period, S&J performed 130.60 hours in  
13 services and incurred \$53,219.00 in fees in this task code category.

14 53. While S&J prepared S&J's retention agreement, retention application and  
15 negotiated with parties in interest regarding S&J's retention and those of the Trustee's other  
16 professionals, services expended in this category include S&J's review of the employment  
17 applications of other professionals in the many related bankruptcy cases, as well as the review  
18 of certain professionals' monthly fee statements pursuant to the interim compensation  
19 procedures in place in the various bankruptcy cases.

20 54. Services in this category also involved the negotiation of interim  
21 compensation procedures for this Estate so that the Trustee and his professionals could perform  
22 the necessary services required to properly administer this Estate and attempt to maximize a  
23 recovery for creditors of this Estate. S&J also prepared and filed the motion seeking approval  
24 of the Interim Compensation Order, including legal research regarding the interim  
25 compensation of the Trustee under the Bankruptcy Code, negotiated and prepared the retention  
26 application of Gamett & King, the Trustee's tax advisors, and monitored the hundreds of  
27 interested parties in this case for the preparation and filing of S&J's first supplemental  
28 disclosure pursuant to Bankruptcy Rule 2014(a).

1                   **(6) Adversary Proceedings (Task Code 110).**

2           55.    During the Initial Application Period, S&J expended 327.90 hours  
3 performing services and incurred \$153,181.00 in fees in this task code category.

4           56.    S&J's investigation conducted in task code category 101 and this category  
5 S&J has been instrumental to the research and development of various legal theories by which  
6 the Trustee will seek to obtain assets of the Estate through adversary proceedings. Therefore,  
7 time expended by S&J in this task code is predominantly attributable to S&J's legal research  
8 and analysis of numerous document productions received from third parties in an effort to  
9 establish the basis for adversary proceedings in this Bankruptcy Case, as well as drafting  
10 pleadings in preparation for pursuing actions on behalf of the Trustee.

11           57.    In particular, as the Trustee learned more about the composition of the  
12 Debtor's assets in conjunction with services performed in the asset analysis and recovery  
13 category (task code 101), time in this task code category was expended by S&J researching,  
14 analyzing and formulating the appropriate actions through which the Trustee will seek to  
15 recover Estate assets for the benefit of the Estate and its creditors. As set forth above, one of  
16 the results of these efforts is that an extensive adversary action seeking to recover significant  
17 assets for the benefit of the Estate will soon be commenced.

18                   **(7) Meetings of Creditors (Task Code 111).**

19           58.    During the Initial Application Period, S&J expended 23.30 hours  
20 performing services and incurred \$14,770.50 in fees in this task code category. Time expended  
21 by S&J in this task code includes preparation of examination questions for the 341(a) meetings  
22 of creditors for the Debtor and Mr. Milanowski, travel to and attendance at such meetings of  
23 creditors, and review and analysis of the transcripts of the same and in meeting with creditors  
24 and interested parties regarding the case.

25                   **(8) Executory Contracts/Leases (Task Code 114).**

26           59.    During the Initial Application Period, S&J expended 6.9 hours performing  
27 services in this task code category and incurred \$2,953.00 in fees. The hours in this task code  
28 were expended in part analyzing the lease situation of Debtor and in preparing the Trustee's

1 motion for an extension of the time within which the Trustee may assume or reject non-  
2 residential real property leases under which the Debtor is a lessee pursuant to section 365(d)(4)  
3 of the Bankruptcy Code so that further analyses could be performed, which motion was granted  
4 by the Court.

5 **(9) Post-Petition Financing (Task Code 115).**

6 60. During the Initial Application Period, S&J expended 43.00 hours  
7 performing services and incurred \$23,365.00 in fees in this task code category. During the  
8 Initial Application Period, S&J performed services in this task code negotiating the terms of  
9 the Fee Stipulation with the USACM Trust and other interested parties, preparing and filing the  
10 Fee Stipulation and necessary pleadings to obtain approval of the Fee Stipulation, as well as  
11 reviewing the post-petition financing arrangement in the Milanowski bankruptcy case and  
12 pleadings related thereto.

13 **(10) Hearings (Task Code 116).**

14 61. During the Initial Application Period, S&J expended 47.80 hours  
15 performing services and incurred \$23,797.00 in fees in this task code category. S&J performed  
16 services preparing for, attending and traveling to and from hearings in this Bankruptcy Case, as  
17 well as the other related bankruptcy cases, and certain meetings with the Trustee. Whenever  
18 possible S&J has endeavored to appear by telephone or to utilize the services of local counsel  
19 for appearances at hearings to minimize fees and costs incurred.

20 **(11) Tax Matters (Tax Code 119).**

21 62. During the Initial Application Period, S&J expended 14.70 hours  
22 performing services in this task code category and incurred \$6,904.50 in fees.

23 63. As S&J analyzed the Trustee's various tax filing obligations with respect to  
24 certain of the Debtor's business operations in task code category 101, it became clear that the  
25 Debtor's intricate web of investments, management interests and controlling interests create  
26 unique tax issues for this Estate. Accordingly, S&J established this task code so that the tax  
27 analysis can be captured and identified separately on a going forward basis.  
28

1           64.     Moreover, it has become clear that certain of the other trustees in the related  
2 bankruptcy cases are taking the position that all tax consequences of their estates' various asset  
3 disposition efforts will flow through to Mr. Milanowski and the Debtor. Therefore, time  
4 expended in this task code by S&J has been related to working closely with Gamett & King to  
5 evaluate the various complicated tax issues raised by the positions taken by the other trustees,  
6 as well as inherent in the complexity of the structure of the Debtor's business investments, and  
7 the implications these issues have on the potential tax obligations of the Estate.

8           **C. Listing of All Time Expended By S&J For Which Compensation is Sought.**

9           65.     A summary of all of S&J's time records for legal services rendered during  
10 the Initial Application Period for which compensation is sought is attached as **Exhibit A** and  
11 **Exhibit B** hereto. A detailed listing of all of S&J's time records for legal services rendered  
12 during the Initial Application Period for which compensation is sought is attached as  
13 **Exhibit C** hereto. Whenever possible S&J utilized associates, paralegals or clerks in an effort  
14 to keep the cost of the services it rendered to the Trustee to a minimum. It was occasionally  
15 necessary for more than one S&J attorney to attend a teleconference or hearing before the  
16 Court in light of the different aspects of the case each focused upon and addressed, and the  
17 urgencies in dealing with a magnitude of issues involved, including in matters litigated and  
18 brought before the Court.

19           66.     In compliance with the UST Guidelines, S&J's billing statements in  
20 **Exhibit C** reflect a format in which the entries are listed in chronological order by task code  
21 category. The task code categories utilized were created in conformity with the guidelines  
22 established by the UST. S&J has expended a total of 5,384 hours performing services on  
23 behalf of the Trustee during the Initial Application Period for which compensation is sought  
24 herein. S&J respectfully submits a reasonable fee (net of the 20% fee holdback required by the  
25 Interim Compensation Order) for the 5,384 hours of services rendered as described herein is  
26 the aggregate sum of \$1,382,346.40, which is based solely upon the hourly rates of S&J's  
27 professionals.  
28

1           67. Further, as set forth above, S&J voluntarily has written off over \$297,000 in  
2 fees and costs incurred in this case in light of the lack of available Estate cash to satisfy fees  
3 and claims and the need for petitioning creditors to fund such amounts. S&J took this large  
4 reduction, including reducing the rates of certain attorneys and paralegals in this Bankruptcy  
5 Case, to accommodate the extensive amount of work required notwithstanding the limited  
6 budget and exigencies involved here, and S&J agreed to write off certain team meetings and  
7 conference calls, even though they were necessary for the proper administration of this  
8 Bankruptcy Case. As explained in more detail above, all of S&J's cost savings initiatives  
9 saved the Estate significant funds and were done under the particular exigent circumstances of  
10 this case and the budget restrictions at issue.

11           **D. Listing of All Expenses for Which Reimbursement is Sought.**

12           68. The total amount of costs incurred by S&J in performing necessary services  
13 for the Trustee in this case during the Initial Application Period, for which reimbursement is  
14 sought, is \$57,155.49. Attached as **Exhibit D** hereto is a summary of all costs incurred by S&J  
15 during the Initial Application Period for which reimbursement is sought. Attached as  
16 **Exhibit E** hereto is a detailed listing of all costs incurred by S&J in connection with  
17 duplication, faxes, mailings, messenger services, long distance telephone, travel, process  
18 servers and computer research, for which reimbursement is sought. S&J has made every effort  
19 to limit expenses and to use the most economical means available for accomplishing the tasks  
20 required.

21           **(1) Photocopying.**

22           69. S&J charged 9¢ per page for all in-house photocopying in this case. S&J's  
23 photocopying machines automatically record the number of copies made when the person that  
24 is photocopying enters the client's account number into a device attached to the photocopying  
25 machine. S&J summarizes each client's photocopying charges on a daily basis and such  
26 charges are reflected in **Exhibit E**. Whenever feasible, S&J sends large copying projects to  
27 vendor copy services that charge bulk rates for photocopying. In such instances, unless the  
28

1 client pays such outside services directly, S&J charges its clients the actual amount that S&J  
2 pays to the outside services.

3 (2) **Telephone/Facsimiles.**

4 70. This case involves interested parties located in different states and,  
5 accordingly, certain long distance telephone charges were incurred. These long distance  
6 telephone charges are passed through as the calls are made and summarized to the client on a  
7 monthly basis. S&J requests reimbursement of the cost of sending telecopies at \$1.00 per  
8 page plus actual long distance telephone charges. This amount reflects S&J's estimation of the  
9 actual costs incurred by S&J for the machines, supplies and extra labor expense associated with  
10 sending and receiving telecopies and is reasonable in relation to the amounts charged by  
11 outside vendors who provide these services, especially considering there are no additional  
12 charges for long distance faxes. Many matters and timing requirements in this case warranted  
13 the use of faxes and conference calls, which were far more cost effective than in-person  
14 meetings involving parties from different states and far more efficient than communication by  
15 regular mail under the circumstances.

16 (3) **Postage.**

17 71. S&J incurred postage costs for mailing notices to creditors, serving  
18 pleadings, and sending general correspondences in the representation of the Trustee. Actual  
19 postage costs are compiled automatically based on account numbers identified when postage is  
20 printed by S&J's postage meter.

21 (4) **Messengers.**

22 72. Although S&J attempts to avoid messenger expenses if information can be  
23 transmitted less costly by mail (electronic, express or regular) or by facsimile, when  
24 messengers are required, the charges for messenger services are posted to clients' accounts and  
25 reimbursement is requested at the actual amounts charged by the outside services. When  
26 messengers must be used, S&J attempts to use the least expensive services available consistent  
27 with obtaining delivery within the time required.  
28

1 (5) **Process Servers**

2 73. S&J uses process servers when necessary for service of subpoenas,  
3 complaints and other documents requiring personal service. When process servers are  
4 required, the charges for process servers are posted to clients' accounts and reimbursement is  
5 requested at the actual amounts charged by the outside service providers. When process  
6 servers must be used, S&J attempts to use the least expensive services available consistent with  
7 obtaining service within the time required.

8 (6) **Computer Research.**

9 74. S&J incurred computer research charges for using the Westlaw and Lexis  
10 Nexis services in the preparation of, and in responding to, motions filed in this case and in  
11 analyzing legal issues of importance to the Trustee. S&J inputs an account number prior to  
12 utilization of the service, and Westlaw and/or Lexis Nexis advises S&J of the amount of the  
13 services utilized and the resulting charges, which are reflected in **Exhibit E**. S&J has written  
14 off significant costs for computer research in this case to accommodate the Trustee's budget.

15 **E. Description Of Professionals' Education And Experience**

16 75. S&J is a Washington, D.C.-based law firm with offices in New York,  
17 Chicago, Phoenix, Los Angeles, Century City, Brussels and London. S&J is a multi-faceted  
18 firm whose practice includes, among other areas, bankruptcy, corporate, litigation and tax. The  
19 professionals who performed services in this matter are primarily members of the firm's  
20 Insolvency and Restructuring group, which limits its practice to matters of bankruptcy,  
21 reorganization and insolvency law, and of the firm's Litigation practice group. Attached as  
22 **Exhibit F** hereto are the biographies of the Insolvency and Restructuring professionals  
23 employed by S&J and other S&J attorneys who rendered significant assistance in analyzing  
24 and litigating relevant issues to their practice areas arising in this case.

25 **III. THE BANKRUPTCY CODE PROVIDES FOR THE ALLOWANCE OF**  
26 **COMPENSATION AND FOR THE REIMBURSEMENT FOR EXPENSES.**

27 76. Section 330 of the Bankruptcy Code authorizes the allowance of  
28 compensation and reimbursement of expenses. Section 330 of the Bankruptcy Code provides

1 that a bankruptcy court may award to a professional who rendered services to a bankruptcy  
2 estate reasonable compensation for actual, necessary services rendered by the attorney, based  
3 on the time, the nature, the extent and the value of such services, and the cost of comparable  
4 services to a non-debtor, as well as reimbursement of the actual, necessary expenses expended  
5 by the attorney on behalf of the debtor. Section 330 provides, in part, as follows:

6 (a)(1) [T]he court may award to a trustee, an examiner, a  
7 professional person employed under Section 327 or 1103 --

8 (A) reasonable compensation for actual, necessary services  
9 rendered by the trustee, examiner, professional person, or attorney  
10 and by any paraprofessional person employed by any such person;  
11 and

12 (B) reimbursement for actual, necessary expenses.

13 \* \* \*

14 (3) (A) In determining the amount of reasonable  
15 compensation to be awarded, the court shall consider the nature,  
16 the extent, and the value of such services, taking into account all  
17 relevant factors, including—

18 (A) the time spent on such services;

19 (B) the rates charged for such services;

20 (C) whether the services were necessary to the administration  
21 of, or beneficial at the time at which the service was rendered  
22 toward the completion of, a case under this title;

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

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

11 U.S.C. § 330(a).

77. Here, S&J has expended numerous hours in providing necessary services rendered on behalf of the Trustee in this Chapter 11 Case. This case has required S&J's extensive and intense analysis and resolution of numerous legal issues and matters required in a limited period of time. S&J's representation of the Trustee required S&J, in certain

1 instances, to respond to emergency situations and to have its members available to address  
2 important legal issues that needed to be handled at once. This case has required the significant  
3 involvement of S&J on behalf of the Trustee to ensure that the complex entity structure and  
4 web of investments of the Debtor was properly researched and analyzed in the search for the  
5 Debtor's assets and liabilities. As set forth above, S&J has worked diligently to investigate and  
6 attempt to locate assets of the Estate, and has acted with alacrity to handle all matters necessary  
7 to protect the interests of creditors.

8           78. S&J submits that under the circumstances of this Chapter 11 Case, the total  
9 compensation sought by S&J for the services performed and accomplishments during the  
10 Initial Application Period is reasonable, appropriate and justified, not only in this case but also  
11 in the relevant community.

12           79. S&J has provided the Trustee with the foregoing Application. The Trustee  
13 has reviewed the Application, as well as each of S&J's monthly fee statements pursuant to the  
14 Interim Compensation Order, and has approved and authorized the filing of this Application.

15 **IV. CONCLUSION.**

16           80. S&J respectfully submits that the foregoing establishes that (i) the fees and  
17 expenses that S&J incurred and for which it requests payment and reimbursement herein are  
18 reasonable and (ii) that payment of the fees and reimbursement of the expenses incurred as  
19 requested is appropriate. S&J has no agreement, understanding or arrangement of any kind to  
20 divide or to pay any of the fees or expenses that S&J requests in this Application to anyone,  
21 except to members and employees of S&J.

22           **WHEREFORE**, S&J requests that the Court enter an order approving and allowing the  
23 payment on an interim basis, to the extent funds are available, of: (1) Compensation in the  
24 amount of \$1,382,346.40 for the reasonable and necessary services that S&J rendered to the  
25 Trustee during the Initial Application Period and (2) Reimbursement of actual and necessary  
26 expenses in the amount of \$57,155.49 incurred by S&J on behalf of the Trustee during the  
27  
28

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

Initial Application Period, for an aggregate total of \$1,439,501.89, subject to this Court's final review.

Dated: December 31, 2007

Respectfully submitted,

**STEPTOE & JOHNSON LLP**

By: /s/ Robbin L. Itkin  
Robbin L. Itkin, Esq.  
Katherine C. Piper, Esq.  
2121 Avenue of the Stars, Suite 2800  
Los Angeles, California 90067

Attorneys for Michael W. Carmel,  
Chapter 11 Trustee for the Estate of Thomas A.  
Hantges