

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

<b>In re:</b>	:	<b>Chapter 11</b>
	:	
<b>ADVANTA CORP., et al.,</b>	:	<b>Case No. 09-13931 (KJC)</b>
	:	
<b>Debtors.</b>	:	<b>(Jointly Administered)</b>

**FEE AUDITOR’S FINAL REPORT REGARDING THE FINAL FEE  
APPLICATION OF LATHAM & WATKINS LLP FOR COMPENSATION FOR  
SERVICES RENDERED AND REIMBURSEMENT OF EXPENSES INCURRED  
FOR THE PERIOD FROM NOVEMBER 19, 2009 THROUGH FEBRUARY 28, 2011**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Final Fee Application of Latham & Watkins LLP for Compensation for Services Rendered and Reimbursement of Expenses Incurred for the Period from November 19, 2009 through February 28, 2011 (the “Application” or “Final Application”).

**BACKGROUND**

1. Latham & Watkins LLP (“Latham”) was retained as counsel to the Official Committee of Unsecured Creditors (the “Committee”). In the Application, Latham seeks approval of fees and expenses as follows: fees totaling \$1,113,398.50 and expenses totaling \$11,119.04 for its services from December 1, 2010 through February 28, 2011 (the “Fourth Interim Period”),<sup>1</sup> and

---

<sup>1</sup>Latham did not file a quarterly application for the Fourth Interim Period, but filed monthly applications for December 2010 and January 2011, and included its February 2011 fees and expenses in its Final Application.

final approval of fees totaling \$6,164,912.25<sup>2</sup> and expenses totaling \$125,196.77<sup>3</sup> for its services from November 19, 2009 through February 28, 2011 (the “Final Application Period”).

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time and expense entries included in the exhibits to the Application, for compliance with Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2011, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, Issued January 30, 1996 (the “U.S. Trustee Guidelines”), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served an initial report on Latham based upon our review, and we received a response from Latham, portions of which response are quoted herein.

## **DISCUSSION**

### **Fourth Interim Period**

---

<sup>2</sup>We note that the total of the fees requested in Latham’s three prior applications, plus the compensation sought for the Fourth Interim Period, is \$6,164,912.25. It does not appear that Latham has deducted from this amount any of the reductions ordered by the Court for the prior periods, which periods are discussed in more detail in paragraph 15, to arrive at the figure it seeks of \$6,164,912.25. We note that the Court has ruled on the First through Third Interim Periods, but no rulings have been made on the Fourth Interim Period.

<sup>3</sup>We note that the total of the expenses requested in Latham’s three prior applications, plus the expenses sought for the Fourth Interim Period, is \$125,196.77. It does not appear that Latham has deducted from this amount any of the reductions ordered by the Court for the prior periods, which periods are discussed in more detail in paragraph 15, to arrive at the figure it seeks of \$125,196.77. We note that the Court has ruled on the First through Third Interim Periods, but no rulings have been made on the Fourth Interim Period.

3. In our initial report, we noted certain instances in which multiple Latham professionals attended the same hearings. See Exhibit “A.” Paragraph II.D.5. of the U.S. Trustee Guidelines provides: “If more than one professional from the applicant firm attends a hearing or conference, the applicant should explain the need for multiple attendees.” Similarly, Local Rule 2016-2(d)(ix) provides: “The activity descriptions shall individually identify all meetings and hearings, each participant, the subject(s) of the meeting or hearing and the participant’s role; . . .” We asked Latham to explain why it was necessary for each attorney to be present at these hearings, and Latham’s response is attached as Response Exhibit “1.” We accept Latham’s response and have no objection to these fees.

4. We noted certain instances in which multiple Latham professionals attended the same meetings or conferences. See Exhibit “B.” In light of the Guideline and Rule cited above, we asked Latham to explain why it was necessary for each attorney to attend these conferences. We have attached Latham’s response as Response Exhibit “2.” We accept Latham’s response, except with respect to attendance by attorneys Glasser and Rock at the December 10, 2010 and December 13, 2010 committee meetings. Latham’s explanation for attendance by attorneys Glasser and Rock at both of these meetings reads as follows: “Attorneys Glasser and Rock, who were working on either of the exclusivity objection or the disclosure statement objection, respectively, attended in order to provide specifics about the status of the objections and to provide support to the overall team on the call.” However, the response also indicates that attorney Singer attended the December 10 conference call for the same purpose:

Mr. Singer, who was the associate responsible for managing the drafting of the Committee’s exclusivity objection and disclosure statement objection, attended to provide an update on the status of the objections to the Committee and to record relevant notes with respect to strategy for the objections.... Mr. Singer, during this

phase of the cases, was also the associate primarily responsible for the administration of the cases.

And the response indicates that attorneys Singer and Martin attended the December 13 conference call for basically the same purposes as attorneys Glasser and Rock:

Ms. Martin, who was the associate primarily responsible for managing the drafting of the Committee's exclusivity objection, attended to provide an update on the status of the objection to the Committee and to record relevant notes with respect to strategy for the objection. Mr. Singer, who was the associate managing the drafting of the Committee's disclosure statement objection, attended to provide an update on the status of the objection to the Committee and to record relevant notes with respect to strategy for the objection.

Thus, it does not appear to us that Latham has carried its burden of proof with respect to attendance by associates Glasser and Rock at these meetings, and we recommend disallowance of fees billed by both attorneys, for a reduction of \$1,044.00 in fees.

5. We noted a total of \$1,330.42 in photocopy charges which were billed at the rate of \$0.17 per page.<sup>4</sup> The Delaware Local Rules limit charges for in-house photocopies to \$0.10 per page.<sup>5</sup> We inquired concerning these charges, and Latham responded: "Latham suggests and requests that \$547.82 be deducted from the 20% holdback currently pending under the Application in order to effectuate a charge of \$0.10 per page." We appreciate Latham's response and recommend a reduction of \$547.82 in expenses.

6. We noted the following meal expense for which more information was needed:

12/29/10	Meal Services V G Perry	123.75
----------	-------------------------	--------

In response to our inquiry, Latham stated: "This entry represents a working lunch amongst six of

---

<sup>4</sup>7,826 photocopies were made.

<sup>5</sup>See Del. Bankr. L.R. 2016-2(e)(iii).

the Committee’s professionals.” We accept Latham’s response and have no objection to this expense.

7. We noted the following taxi charges for which more information was needed:

12/01/10	Ground Transportation Taxis home from office	Kenneth M. Rock	75.15
10/13/10	Ground Transportation Local Taxi Fares	Jennifer E. Glasser	228.40

Latham responded with the following information:

12/01/10	Ground Transportation Taxis home from office	Kenneth M. Rock	\$75.15																																												
	<p><b>Response:</b> This entry represents several charges that have been consolidated into one entry. Each taxi fare was business related and involved after hours work. The breakdown is as follows:</p> <table> <thead> <tr> <th>Date</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>12/9/2010</td> <td>\$12.36</td> </tr> <tr> <td>12/7/2010</td> <td>\$11.85</td> </tr> <tr> <td>12/5/2010</td> <td>\$13.32</td> </tr> <tr> <td>12/5/2010</td> <td>\$11.40</td> </tr> <tr> <td>12/3/2010</td> <td>\$12.90</td> </tr> <tr> <td>12/1/2010</td> <td>\$13.32</td> </tr> <tr> <td><b>TOTAL:</b></td> <td><b>\$75.15</b></td> </tr> </tbody> </table>			Date	Amount	12/9/2010	\$12.36	12/7/2010	\$11.85	12/5/2010	\$13.32	12/5/2010	\$11.40	12/3/2010	\$12.90	12/1/2010	\$13.32	<b>TOTAL:</b>	<b>\$75.15</b>																												
Date	Amount																																														
12/9/2010	\$12.36																																														
12/7/2010	\$11.85																																														
12/5/2010	\$13.32																																														
12/5/2010	\$11.40																																														
12/3/2010	\$12.90																																														
12/1/2010	\$13.32																																														
<b>TOTAL:</b>	<b>\$75.15</b>																																														
10/13/10	Ground Transportation Local Taxi Fares	Jennifer E. Glasser	\$228.40																																												
	<p><b>Response:</b> This entry represents several charges that have been consolidated into one entry. Each taxi fare was business related and involved after hours work. The breakdown of taxi charges is as follows:</p> <table> <thead> <tr> <th>Date</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>11/22/1010</td> <td>\$11.30</td> </tr> <tr> <td>11/18/2010</td> <td>\$10.90</td> </tr> <tr> <td>11/16/2010</td> <td>\$10.50</td> </tr> <tr> <td>11/15/2010</td> <td>\$10.50</td> </tr> <tr> <td>11/11/2010</td> <td>\$10.10</td> </tr> <tr> <td>11/8/2010</td> <td>\$10.50</td> </tr> <tr> <td>11/4/2010</td> <td>\$11.30</td> </tr> <tr> <td>11/2/2010</td> <td>\$10.30</td> </tr> <tr> <td>11/2/2010</td> <td>\$10.90</td> </tr> <tr> <td>11/1/2010</td> <td>\$10.10</td> </tr> <tr> <td>10/29/2010</td> <td>\$11.70</td> </tr> <tr> <td>10/29/2010</td> <td>\$11.90</td> </tr> <tr> <td>10/28/2010</td> <td>\$10.50</td> </tr> <tr> <td>10/25/2010</td> <td>\$11.90</td> </tr> <tr> <td>10/22/2010</td> <td>\$19.90</td> </tr> <tr> <td>10/21/2010</td> <td>\$11.70</td> </tr> <tr> <td>10/20/2010</td> <td>\$11.70</td> </tr> <tr> <td>10/19/2010</td> <td>\$10.90</td> </tr> <tr> <td>10/18/2010</td> <td>\$10.90</td> </tr> <tr> <td>10/15/2010</td> <td>\$10.90</td> </tr> <tr> <td><b>TOTAL:</b></td> <td><b>\$228.40</b></td> </tr> </tbody> </table>			Date	Amount	11/22/1010	\$11.30	11/18/2010	\$10.90	11/16/2010	\$10.50	11/15/2010	\$10.50	11/11/2010	\$10.10	11/8/2010	\$10.50	11/4/2010	\$11.30	11/2/2010	\$10.30	11/2/2010	\$10.90	11/1/2010	\$10.10	10/29/2010	\$11.70	10/29/2010	\$11.90	10/28/2010	\$10.50	10/25/2010	\$11.90	10/22/2010	\$19.90	10/21/2010	\$11.70	10/20/2010	\$11.70	10/19/2010	\$10.90	10/18/2010	\$10.90	10/15/2010	\$10.90	<b>TOTAL:</b>	<b>\$228.40</b>
Date	Amount																																														
11/22/1010	\$11.30																																														
11/18/2010	\$10.90																																														
11/16/2010	\$10.50																																														
11/15/2010	\$10.50																																														
11/11/2010	\$10.10																																														
11/8/2010	\$10.50																																														
11/4/2010	\$11.30																																														
11/2/2010	\$10.30																																														
11/2/2010	\$10.90																																														
11/1/2010	\$10.10																																														
10/29/2010	\$11.70																																														
10/29/2010	\$11.90																																														
10/28/2010	\$10.50																																														
10/25/2010	\$11.90																																														
10/22/2010	\$19.90																																														
10/21/2010	\$11.70																																														
10/20/2010	\$11.70																																														
10/19/2010	\$10.90																																														
10/18/2010	\$10.90																																														
10/15/2010	\$10.90																																														
<b>TOTAL:</b>	<b>\$228.40</b>																																														

We accept Latham's response<sup>6</sup> and have no objection to these expenses.

8. We noted the following car service charge for which more information was needed:

12/17/10	Ground Transportation--Local-- Elite Limousine Plus Inc. - 12/14/2010	S Chalen	\$73.51
----------	---	----------	---------

We note that Ms. Chalen billed in excess of three hours on the date the charge was incurred.

However, because car service charges are usually more expensive than taxis, we inquired of Latham concerning this charge. Latham responded:

Car service was provided to Ms. Chalen in order to transport her from Zip Code 10022 to ....<sup>7</sup> Car service was required because taxis do not provide service to the outer borough in which Ms. Chalen lives. Ms. Chalen provided after hours services related to the filing of the Committee's Disclosure Statement Objection and Exclusivity Objection.

We understand Latham's response, but our research of New York Taxi and Limousine Commission rules indicates that taxis do travel to the borough in which Ms. Chalen lives. We obtained a comparable taxi fare for this trip of \$61.78.<sup>8</sup> Thus, we recommend a reduction of \$11.73 in expenses.

9. We noted the following charge for which more information was needed:

01/21/11      899.14      Outside Services J E Glasser Document Source, Inc.

We asked Latham to explain the purpose of this expense, and Latham responded:

This charge reflects work that was completed by a vendor in connection with

---

<sup>6</sup>We verified that the professionals billed at least three hours on each of the dates a taxi charge was incurred.

<sup>7</sup>We have redacted the professional's home zip code for purposes of confidentiality.

<sup>8</sup>We obtained the basic taxi fare for this trip from [www.taxifarefinder.com](http://www.taxifarefinder.com) and added tolls, 30-minute traffic/wait time, and a 15% tip.

document collection and document production in connection with the investigation of potential claims belonging to the Debtors. The outside vendor was hired to process native files, including (i) the transference from ZIP files to TIFF Images, (ii) application of bates stamping and (iii) the removal of metadata.

We accept Latham's response and have no objection to this expense.

10. We noted total charges of \$231.00 for "Other Database Research." In response to our inquiry, Latham stated: "This charge is for expenses incurred for the use of Pacer Service Center to download docket entries." We accept Latham's response and have no objection to this expense.

11. We noted total charges of \$306.00 for "Global Document Support." According to Paragraph II.E.7. of the U. S. Trustee Guidelines, "Overhead includes word processing, proofreading, secretarial and other clerical services..." We asked Latham to explain why these expenses should be reimbursed by the estate. Latham provided the following response:

... Global Document Support Center ("GloDocs") is a division within Latham's offices that coordinates word processing and related tasks. The sum charged for GloDocs services for the Fourth Interim Fee period is the consolidation of several charges over the period. Work provided by GloDocs included revising, editing and proofreading word documents and PowerPoint presentations, formatting conversions of precedent material and clean up of document formatting errors ... prior to filing and distribution. Latham submits that all of the documents sent to GloDocs were of material use in the matter and the work completed by GloDocs would have otherwise been performed by an attorney or paralegal. GloDocs was used to reduce the legal expense to the Committee.

While we appreciate Latham's response, the activities which Latham has described in the foregoing paragraph appear to us to be word processing and, therefore, overhead. Thus, we recommend disallowance of same, for a reduction of \$306.00 in expenses.

12. Thus, we recommend approval of \$1,112,354.50 in fees (\$1,113,398.50 minus \$1,044.00) and \$10,253.49 in expenses (\$11,119.04 minus \$865.55) for Latham's services for the Fourth Interim Period.

### **Final Application Period**

13. We noted that in the Second Interim Period, Latham billed a total of 42.2 hours and \$15,614.00 in fees, for work performed by “summer associates,” or law clerks, at a rate of \$370.00 per hour.<sup>9</sup> See Exhibit “C.” We have questions about the value of the work performed by “summer associates”, and note that there apparently is an increased reluctance on the part of clients to pay for summer associates’ time. See Exhibit “C-1.” We asked Latham to provide additional information concerning which clients are billed for the work of summer associates, as well as how this work benefited the Committee. Latham’s response is included as Response Exhibit “3.” It does not appear to us that Latham has satisfied its burden of proof respecting the compensability of its summer associates’ time. Merely because it is Latham’s *policy* to charge for the time of its summer associates does not mean that the time is actually charged to all clients or, if charged, is paid by all clients. Nor has Latham responded with specificity as to how the work which was performed by these summer associates was utilized for the benefit of the Committee. Thus, we recommend disallowance of the fees billed for Latham’s summer associates, for a reduction of \$15,614.00 in fees.

14. We also revisited our prior recommendation concerning reimbursement of Latham’s “Global Document Support” expenses. We note that in our review of Latham’s First, Second, and Third Interim Applications, we asked Latham to explain why its Global Document Support services were not word processing services and, therefore, nonreimbursable. In its response to our inquiry, Latham voluntarily withdrew its request for its Global Document Support services in the First and

---

<sup>9</sup>We also note that during these months, Latham’s highest hourly rate for paraprofessionals was \$275.00, while its lowest hourly rate for licensed associates was \$435.00.

Third Interim Periods. However, with respect to the Second Interim Period, Latham responded that such expenses involved the *drafting* of pleadings and should therefore be reimbursed.<sup>10</sup> Upon reflection, it strains credulity to believe that Latham would entrust the drafting of pleadings to anyone but a professional or paraprofessional. Thus, upon further review of Latham's explanation from the Second Interim Period, it appears to us that the activities described were, in fact, word processing functions and therefore nonreimbursable. Thus, we recommend that Latham's Global Document Support services billed in the Second Interim Period be disallowed, for a reduction of \$1,170.00 in expenses.

### **Prior Interim Applications**

15. We note that we previously filed the following final reports for Latham's prior interim applications, which final reports we incorporate by reference herein, and we also note the following orders that ruled on Latham's prior interim applications:

1<sup>st</sup> Period: Fee Auditor's Final Report Regarding the First Interim Fee Application of Latham & Watkins LLP (Docket #843) filed on or about October 5, 2010, in

---

<sup>10</sup>Specifically, Latham responded as follows:

These charges are for Latham's internal word processing support team, Global Documents Support, for the drafting of court pleadings. Global Documents Support was used for this work in order to reduce expenses associated with drafting pleadings. If Global Documents Support had not completed this work, either an attorney or a paralegal would have been required to complete this work at a higher billing rate and at increased expense to the Debtors' estates.

And as to whether it had changed its position on the Global Document Support expenses from the prior interim period, Latham responded:

Latham has not changed its position from the previous period. Instead, during this period, the use of Global Docs was directly litigation-based. As such, we think it appropriate to include the charge in this application because the work would alternatively have needed to be performed by billing attorneys and/or paralegals and not by secretaries.

which we recommended approval of fees totaling \$1,319,680.00 and expenses totaling \$20,370.63, reflecting our recommended reductions of \$11,430.50 in fees and \$510.00 in expenses, as further explained in paragraphs 4, 5, 6 and 9 of that final report. These recommendations were adopted in the Omnibus Order Approving First Interim Fee Application Requests, dated October 26, 2010 (Docket #879).

2<sup>nd</sup> Period: Fee Auditor's Final Report Regarding the Second Interim Fee Application of Latham & Watkins LLP (Docket #1116) filed on or about January 20, 2011, in which we recommended approval of fees totaling \$1,496,924.50 and expenses totaling \$27,765.77, reflecting our recommended reductions of \$1,320.00 in fees and \$801.17 in expenses, as further explained in paragraphs 6, 7 and 10 of that final report. These recommendations were adopted in the Omnibus Order Approving Second Interim Fee Application Requests, dated February 8, 2011 (Docket #1150).

3<sup>rd</sup> Period: Fee Auditor's Final Report Regarding the Third Interim Fee Application of Latham & Watkins LLP (Docket #1244) filed on or about May 2, 2011, in which we recommended approval of fees totaling \$2,221,113.75 and expenses totaling \$59,750.65, reflecting our recommended reductions of \$1,045.00 in fees and \$4,879.51 in expenses, as further explained in paragraphs 4 and 7-11 of that final report. These recommendations were adopted in the Omnibus Order Approving Third Interim Fee Applications, dated June 3, 2011 (Docket #1279).

16. We have reviewed the final reports and orders allowing fees and expenses for the prior interim periods, and we do not believe there is any reason to change any of the amounts awarded for the prior interim periods, with the exception of our recommended fee reduction of \$15,614.00 for summer associates' time billed in the Second Interim Period (*see* paragraph 13) and our recommended expense reduction of \$1,170.00 for Global Document Support expenses billed in the Second Interim Period (*see* paragraph 14).

### CONCLUSION

17. Thus, we recommend final approval of \$6,134,458.75 in fees (\$6,164,912.25<sup>11</sup> minus \$30,453.50<sup>12</sup>) and \$116,970.54 in expenses (\$125,196.77<sup>13</sup> minus \$8,226.23<sup>14</sup>) for Latham's services for the Final Application Period.

Respectfully submitted,

---

<sup>11</sup>We note that the total of the fees requested in Latham's three prior applications, plus the compensation sought for the Fourth Interim Period, is \$6,164,912.25. It does not appear that Latham has deducted from this amount any of the reductions ordered by the Court for the prior periods, which periods are discussed in more detail in paragraph 15, to arrive at the figure it seeks of \$6,164,912.25. We note that the Court has ruled on the First through Third Interim Periods, but no rulings have been made on the Fourth Interim Period.

<sup>12</sup>This amount includes our recommended fee reductions of \$1,044.00 for the Fourth Interim Period (*see* paragraph 4) and \$15,614.00 for the Final Application Period (*see* paragraph 13), as well as the Court-ordered fee reductions in the amount of \$13,795.50 for the First through Third Interim Periods, not previously deducted by Latham.

<sup>13</sup>We note that the total of the expenses requested in Latham's three prior applications, plus the expenses sought for the Fourth Interim Period, is \$125,196.77. It does not appear that Latham has deducted from this amount any of the reductions ordered by the Court for the prior periods, which periods are discussed in more detail in paragraph 15, to arrive at the figure it seeks of \$125,196.77. We note that the Court has ruled on the First through Third Interim Periods, but no rulings have been made on the Fourth Interim Period.

<sup>14</sup>This amount includes our recommended expense reductions of \$865.55 for the Fourth Interim Period (*see* paragraphs 5, 8, and 11) and \$1,170.00 for the Final Application Period (*see* paragraph 14), as well as the Court-ordered expense reductions in the amount of \$6,190.68 for the First through Third Interim Periods, not previously deducted by Latham.

**WARREN H. SMITH & ASSOCIATES, P.C.**

By: \_\_\_\_\_

Warren H. Smith  
Texas State Bar No. 18757050

325 N. St. Paul Street, Suite 1250  
Dallas, Texas 75201  
214-698-3868  
214-722-0081 (fax)  
whsmith@whsmithlaw.com

**FEE AUDITOR**

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing document has been served by First Class United States mail to the attached service list on this 21<sup>st</sup> day of June, 2011.

\_\_\_\_\_  
Warren H. Smith

**SERVICE LIST**  
Notice Parties

**Applicant**

Mitchell A. Seider  
Roger G. Schwartz  
Aaron M. Singer  
LATHAM & WATKINS LLP  
885 Third Avenue, Suite 1200  
New York, NY 10022-4834

[Mitchell.Seider@lw.com](mailto:Mitchell.Seider@lw.com)  
[Roger.Schwartz@lw.com](mailto:Roger.Schwartz@lw.com)  
[aaron.singer@lw.com](mailto:aaron.singer@lw.com)

**U.S. Trustee**

David Klauder  
Office of the United States Trustee  
District of Delaware  
844 King Street, Suite 2207  
Lockbox 35  
Wilmington, DE 19801

**Debtors**

Philip M. Browne  
Advanta Corp.  
P.O. Box 844  
Spring House, PA 19477

**Debtor's Counsel**

Robert L. Lemons  
Weil, Gotshal & Manges, LLP  
767 Fifth Avenue  
New York, NY 10153

Chun I. Jang  
Richards, Layton & Finger, P.A.  
One Rodney Square  
920 North King Street  
Wilmington, DE 19801

**Co-Counsel to Official Committee of**

**Unsecured Creditors**

Howard A. Cohen  
Drinker Biddle & Reath LLP  
1100 N. Market Street, Suite 1000  
Wilmington, DE 19801

**EXHIBIT “A”**

a. We noted that on December 16, 2010, attorneys Roger G. Schwartz (\$885), Adam J. Goldberg (\$575), and Aaron M. Singer (\$550) attended the disclosure statement hearing. The total time spent was 22.10 hours. Total fees of \$10,957.50 were billed.

12/16/10	RGS	1.50	663.75	Non-working travel time returning from DS approval hearing
12/16/10	AJG	4.50	1,293.75	Travel from New York to Delaware (1.5); travel from Delaware to New York (3.0)
12/16/10	AMS	4.10	1,127.50	Train to and from hearing in Wilmington
12/16/10	RGS	1.50	1,327.50	Working travel time regarding preparation for disclosure statement approval hearing
12/16/10	RGS	2.00	1,770.00	Attend DS approval hearing and coordination of action items with Weil regarding next steps for confirmation
12/16/10	AJG	4.00	2,300.00	Attend disclosure statement hearing (2.0); prepare for same (2.0);.....
12/16/10	AMS	4.50	2,475.00	.....; prepare for hearing and meeting team regarding same prior to hearing (2.0); attend hearing and negotiation during hearing (2.5);.....

b. We noted that on February 10, 2011, attorneys Roger G. Schwartz (\$920), Catherine M. Martin (\$600), and Aaron M. Singer (\$600) attended the confirmation hearing. The total time billed was 27.60 hours, for total fees of \$16,294.00.

02/10/11	RGS	2.30	2,116.00	Working travel time to Delaware for confirmation hearing
02/10/11	RGS	1.50	1,380.00	Meet at Drinker offices re: preparation for confirmation hearing
02/10/11	RGS	2.00	1,840.00	Attend and participate in confirmation hearing

02/10/11	CMM	7.50	4,500.00	Prepare for and attend confirmation hearing (7); follow up regarding same (0.5)
02/10/11	AMS	6.00	3,600.00	Prepare for and attend plan confirmation hearing including the negotiation of revised language for the Confirmation Order
02/10/11	RGS	2.30	1,058.00	Non-Working travel time return trip to Connecticut
02/10/11	CMM	3.00	900.00	Travel to and from Confirmation hearing in Delaware
02/10/11	AMS	3.00	900.00	Travel to and from Confirmation Hearing

**EXHIBIT “B”**

a. We noted that on December 10, 2010, attorneys Adam J. Goldberg (\$575), Aaron M. Singer (\$550), Christopher Harris (\$835), Robert J. Malioneck (\$780), Roger G. Schwartz (\$885), Jennifer E. Glasser (\$435), and Kenneth M. Rock (\$435) attended a telephonic Committee meeting. The total time billed was 6.50 hours, and total fees of \$4,199.50 were billed.

12/10/10	AJG	1.30	747.50	Attend committee meeting regarding plan issues
12/10/10	AMS	1.00	550.00	Attend committee call regarding filings and next steps to resolution of remaining issues
12/10/10	CH	0.70	584.50	.....; attend committee call (.7);.....
12/10/10	RJM	1.00	780.00	.....; committee update call and team meeting regarding same (1.0);.....
12/10/10	RGS	0.40	354.00	Prepare for committee call regarding potential settlement terms related to committee DS and exclusivity objections.
12/10/10	RGS	0.60	531.00	Participate on committee call regarding discussion of parameters of potential settlement terms related to committee DS and exclusivity objections and next steps and strategy related to negotiations with Debtors concerning same
12/10/10	JEG	1.00	435.00	Participate in conference call with committee to discuss upcoming hearing and potential settlement options (1.0);.....
12/10/10	KMR	0.50	217.50	.....; attend committee update teleconference (.5);.....

b. We noted that on December 13, 2010, attorneys Roger G. Schwartz (\$885), Adam J. Goldberg (\$575), Catherine M. Martin (\$550), Aaron M. Singer (\$550), Robert J. Malioneck (\$780), Jennifer E. Glasser (\$435), and Kenneth M. Rock (\$435) attended a telephonic committee

meeting. The total time billed was 4.70 hours, for total fees of \$2,799.50.

12/13/10	RGS	0.60	531.00	Participate on committee call regarding update on negotiations with Debtors concerning potential resolution of plan and exclusivity issues
12/13/10	AJG	1.00	575.00	Attend committee conference call regarding plan issues
12/13/10	CMM	0.80	440.00	Committee meeting to discuss proposal regarding plan settlement issues
12/13/10	AMS	1.00	550.00	Attend committee update meeting regarding plan issues
12/13/10	RJM	0.40	312.00	Committee call regarding settlement (0.4);.....
12/13/10	JEG	0.40	174.00	.....; participate on conference call with the Committee regarding potential settlement (.4);.....
12/13/10	KMR	0.50	217.50	.....; attend committee update teleconference call regarding exclusivity and plan issues (.5);.....

c. We noted that on February 4, 2011, attorneys Roger G. Schwartz (\$920), Alexandra A. Roje (\$785), Justin A. Levy (\$450), Kenneth M. Rock (\$515), and Aaron M. Singer (\$600) attended a conference call regarding insurance issues. The total time spent was 5.30 hours, and total fees of \$3,619.00 were billed.

02/04/11	RGS	1.50	1,380.00	Conference call with L&W and Drinker teams re: assessment and analysis of particular insurance coverage and policy issues related to plan, confirmation and response to confirmation objections
02/04/11	AAR	1.20	942.00	Prepare for and attend teleconference with A. Singer and R. Schwartz regarding D&O insurance coverage issues (1.2);.....
02/04/11	JAL	1.30	585.00	Conference call to discuss characterization of insurance proceeds (1.3);.....
02/04/11	KMR	0.80	412.00	.....; prepare for and attend conference call with

Debtors regarding assignment of Amcusa mortgage life insurance policies (.8);.....

02/04/11      AMS   0.50   300.00      .....; discuss insurance issue with local counsel (.5);.....

d.      We noted that on February 15, 2011, attorneys Roger G. Schwartz (\$920), Jennifer E. Glasser (\$515), Aaron M. Singer (\$600), and Robert J. Malioneck (\$810) attended a meeting with the Trust Advisory Board. The total time billed was 24.20 hours, for total fees of \$17,098.00.

02/15/11      RGS   5.50   5,060.00      Participate in meeting with TAB members, FTI and L&W team re: background on cases, transitional issues related to effective date and administration of trusts, action items and strategy for effective date and administration of the trusts

02/15/11      JEG   5.20   2,678.00      Prepare for and attend trust advisory board meeting to provide litigation expertise

02/15/11      AMS   7.50   4,500.00      Attend TAB meeting and prepare for same.

02/15/11      RJM   6.00   4,860.00      TAB litigation presentation and prep, follow-up regarding same

**EXHIBIT “C”**

Alexander J M	06/01/2010	.80	Conference with C. Blickley regarding FDIC proof of claim
Alexander J M	06/03/2010	1.30	Conference with M. Hall and C. Blickley regarding FDIC proof of claim and FDIC administrative claim procedure
Alexander J M	06/03/2010	1.20	Research FDIC claims process
Alexander J M	06/04/2010	5.20	Research and write memorandum on FDIC claims process
Alexander J M	06/04/2010	.70	Conference with C. Blickley regarding FDIC proof of claim and FDIC Administrative Claim Procedure
Alexander J M	06/08/2010	1.00	Research and write memorandum on FDIC claims process
Alexander J M	06/09/2010	2.70	Research and write memorandum on FDIC claims process
Alexander J M	06/16/2010	1.20	Draft FDIC claims memorandum
Alexander J M	06/16/2010	1.20	Conference with C. Blickley and M. Hall regarding FDIC claims

---

15.30

Ruff III R S	06/04/2010	4.80	Research D&O insurance issues
Ruff III R S	06/06/2010	1.30	Research D&O insurance issues
Ruff III R S	06/07/2010	6.80	Research D&O insurance issues
Ruff III R S	06/08/2010	.30	Conference call regarding insurance matters
Ruff III R S	06/09/2010	1.90	Research D&O insurance issues; meet with R. Schwartz and A. Singer re same

---

15.10

McElhoe D F	07/22/2010	.20	Reviewed background materials for document review
McElhoe D F	07/23/2010	3.20	Reviewed background materials for document review (1); meet with J. Casey regarding document review (.5); review documents regarding tax sharing agreement (1.7).
McElhoe D F	07/24/2010	2.70	Review documents regarding tax sharing agreement
McElhoe D F	07/25/2010	4.20	Review documents regarding tax sharing agreement
McElhoe D F	07/26/2010	1.50	Review documents regarding tax sharing agreement

---

11.80

## **RESPONSE EXHIBIT “1”**

1. In its Initial Report, the Fee Auditor noted that on December 16, 2010, attorneys Roger G. Schwartz (\$885), Adam J. Goldberg (\$575), and Aaron M. Singer (\$550) attended the disclosure statement hearing. The Fee Auditor reported that the total time spent was 22.10 hours for total fees of \$10,957.50 (some of which were for non-working travel time.) Latham believes that it was necessary for each of attorneys Schwartz, Goldberg and Singer to attend the disclosure statement hearing as it was one of the most important hearings in these cases. First, it was essential for Mr. Schwartz to attend the hearing as he is the primary partner managing the cases. Mr. Schwartz attended the hearing to supervise the overall management of the case, to provide strategic case guidance and to provide bankruptcy law expertise on behalf of the Committee. Moreover, Mr. Schwartz’s presence was necessary at the hearing as there remained several disclosure statement and chapter 11 plan issues and objections that were eventually negotiated and settled during the course of the hearing itself. Second, Mr. Goldberg’s presence was necessary at the hearing because during this phase of the cases Mr. Goldberg was the associate primarily responsible for the negotiation and finalization of the chapter 11 plan. As was stated above, at the time of the hearing, several issues and objections remained with respect to the chapter 11 plan and the disclosure statement and Mr. Goldberg’s specialized knowledge of the chapter 11 plan was necessary to the representation of the Committee. Finally, Mr. Singer’s presence was necessary at the disclosure statement hearing because, during this phase of the cases, Mr. Singer was the associate primarily responsible for the overall administration of the cases. Based on his role, Mr. Singer had important and underlying information that was essential to the disclosure statement and chapter 11 plan negotiations.

2. In its Initial Report, the Fee Auditor noted that on February 10, 2011, attorneys Roger G. Schwartz (\$920), Catherine M. Martin (\$600), and Aaron M. Singer (\$600) attended the confirmation hearing. The Fee Auditor reported that the total time spent was 27.60 hours, for total fees of \$16,294.00 (some of which were for non-working travel time.) Latham believes that it was necessary for each of attorneys Schwartz, Martin and Singer to attend the confirmation hearing which was another of the most important hearings in these cases. First, it was essential for Mr. Schwartz to attend the hearing as he is the partner primarily responsible for managing the cases. Mr. Schwartz attended the hearing to supervise the overall management of the case, to provide strategic case guidance and to provide bankruptcy law expertise on behalf of the Committee. Moreover, Mr. Schwartz's presence was necessary at the hearing to represent the Committee before the court and to negotiate remaining issues with the Debtors and third parties in connection with confirmation of the Debtors' chapter 11 plan. Second, Ms. Martin's presence was necessary at the hearing because, during this phase of the cases, Ms. Martin was the associate responsible for the development and negotiation of the several trust agreements made a part of the chapter 11 plan through the plan supplement. Ms. Martin was central to these issues and given the importance of the agreements for post-effective date administration of the plan was a necessary participant at the confirmation hearing. Finally, Mr. Singer's presence was necessary at the disclosure statement hearing because, during this phase of the cases, Mr. Singer was the associate primarily responsible for the chapter 11 plan negotiations and the overall administration of the cases. Based on his role, Mr. Singer had important and underlying information that was essential to chapter 11 plan negotiations and to the further administration of the cases post confirmation.

## **RESPONSE EXHIBIT “2”**

1. In its Initial Report, the Fee Auditor noted that on December 10, 2010, attorneys Adam J. Goldberg (\$575), Aaron M. Singer (\$550), Christopher Harris (\$835), Robert J. Malionek (\$780), Roger G. Schwartz (\$885), Jennifer E. Glasser (\$435), and Kenneth M. Rock (\$435) attended a telephonic Committee meeting. The Fee Auditor noted that the total time billed was 6.50 hours, for total fees of \$4,199.50. The telephonic Committee meeting at issue pertained to the upcoming Disclosure Statement hearing and the Committee’s planned exclusivity objection and disclosure statement objection. Latham believes that it was necessary for each of the attorneys listed above to attend the meeting. Mr. Goldberg, who was the associate primarily responsible for the drafting and negotiation of the chapter 11 plan, attended the call in order to provide the Committee with an update on negotiations and drafting changes to the chapter 11 plan and the disclosure statement. Mr. Singer, who was the associate responsible for managing the drafting of the Committee’s exclusivity objection and disclosure statement objection, attended to provide an update on the status of the objections to the Committee and to record relevant notes with respect to strategy for the objections. Mr. Singer, during this phase of the cases, was also the associate primarily responsible for the administration of the cases and also attended to provide a general update on the status of the cases. Attorneys Glasser and Rock, who were working on either of the exclusivity objection or the disclosure statement objection, respectively, attended in order to provide specifics about the status of the objections and to provide support to the overall team on the call. Mr. Schwartz attended the hearing to supervise the overall management of the case, to provide strategic case guidance and to provide bankruptcy law expertise with respect to next steps in the Committee’s planned objection strategy. With respect to attorneys Harris and Malionek, both attorneys attended

in order to provide partner-level litigation strategy support and advice and to prepare for representation of the Committee at the contested disclosure statement hearing. Due to a potential conflict in scheduling based on a trial in an unrelated matter, it was necessary for both attorneys to attend the meeting in order to ensure seamless representation of the Committee. Both attorneys provide useful strategy points and used the meeting to familiarize themselves with legal arguments for the hearing.

2. In its Initial Report, the Fee Auditor noted that on December 13, 2010, attorneys Roger G. Schwartz (\$885), Adam J. Goldberg (\$575), Catherine M. Martin (\$550), Aaron M. Singer (\$550), Robert J. Malionek (\$780), Jennifer E. Glasser (\$435), and Kenneth M. Rock (\$435) attended a telephonic committee meeting. The total time billed was 4.70 hours, for total fees of \$2,799.50. The telephonic meeting was held to update the Committee and to discuss negotiations with the Debtors concerning the potential resolution of the chapter 11 plan, disclosure statement and exclusivity issues. Latham believes that it was necessary for each of the attorneys listed above to attend the meeting. Mr. Schwartz attended the hearing to supervise the overall management of the case, to provide strategic case guidance and to provide bankruptcy law expertise with respect to next steps in the Committee's planned objection and negotiation strategy. Mr. Goldberg, who was the associate primarily responsible for the drafting and negotiation of the chapter 11 plan, attended the call in order to provide the Committee with an update on negotiations and drafting changes to the chapter 11 plan and the disclosure statement. Ms. Martin, who was the associate primarily responsible for managing the drafting of the Committee's exclusivity objection, attended to provide an update on the status of the objection to the Committee and to record relevant notes with respect to strategy for the objection. Mr. Singer, who was the associate managing the drafting of the

Committee's disclosure statement objection, attended to provide an update on the status of the objection to the Committee and to record relevant notes with respect to strategy for the objection. Mr. Malionek attended in order to provide partner-level litigation strategy support and advice and to prepare for representation of the Committee at the disclosure statement hearing. Finally, attorneys Glasser and Rock, who were working on either of the exclusivity objection or the disclosure statement objection, respectively, attended in order to provide specifics about the status of the objections and to provide support to the overall team on the call. Please note that attorneys Malionek, Glasser and Rock only attended approximately half of the meeting in order to limit expenses charged to the Committee.

3. In its Initial Report, the Fee Auditor noted that on February 4, 2011, attorneys Roger G. Schwartz (\$920), Alexandra A. Roje (\$785), Justin A. Levy (\$450), Kenneth M. Rock (\$515), and Aaron M. Singer (\$600) attended a conference call regarding insurance issues and that the total time spent was 5.30 hours, for total fees of \$3,619.00. In fact, the time entries noted by the Fee Auditor reflect two separate calls that took place on February 4th. First, there was a call held between the Latham team (including attorneys Schwartz, Roje, Singer and Levy) and Drinker team in which the D&O insurance policies were discussed with respect to their characterization as estate property as such issues pertained to certain objections to the Debtors' chapter 11 plan. Second, a call was held between the Latham team (including attorneys Singer and Rock) and Weil team (as counsel to the Debtors) in which certain Mortgage Life Insurance Policies were discussed for the benefit of providing information to Latham. While Mr. Singer attended both meetings, it is Latham's belief that the time entry noted by the Fee Auditor only reflects a portion of the time Mr. Singer spent on both calls as he was the associate central to the organization and resolution of both

issues. Each attorney present on the calls was directly involved in the issues covered on the calls he or she attended.

4. In its Initial Report, the Fee Auditor noted that on February 15, 2011, attorneys Roger G. Schwartz (\$920), Jennifer E. Glasser (\$515), Aaron M. Singer (\$600), and Robert J. Malionek (\$810) attended a meeting with the Trust Advisory Board and that the total time billed was 24.20 hours, for total fees of \$17,098.00. The in-person meeting was held at Latham's offices and included prospective members of the Trust Advisory Board (as described under the chapter 11 plan) and members of the FTI Consulting, Inc. and Latham professional teams. The meeting was held to provide the Trust Advisory Board with background information on the cases, to discuss transitional issues related to the effective date and the administration of the chapter 11 plan and the Trusts, to discuss the Trust Advisory Board's role under the chapter 11 plan and to discuss other material issues that could potentially come before the Trusts. Latham believes that it was necessary for each of the attorneys listed above to attend the meeting. Attorneys Schwartz and Singer attended the meeting in order to provide the Trust Advisory Board with a thorough introduction to the bankruptcy cases, the chapter 11 plan and the remaining issues in the cases that the Trust Advisory Board would likely face. Attorneys Malionek and Glasser attended the meeting in order to introduce the Trust Advisory Board to the remaining and potential issues related to the claims of and against the estates and potential litigation.

### **RESPONSE EXHIBIT “3”**

1. In its Initial Report, the Fee Auditor inquired as to whether and how the summer associates’ work was utilized for the benefit of the Committee. The Fee Auditor also asked Latham to explain why it believes the amount of time spent by the summer associates was reasonable and if Latham believes that the same information could have been obtained, or services performed, more efficiently by one of Latham’s associates.

Latham believes that the summer associates’ work certainly benefited the Committee. In each case, the work conducted by the summer associate was legal research of appropriate complexity for a summer associate to complete. Yet, it is Latham’s belief that the research was necessary and fundamental to the issues facing the Committee at the time of the research. Moreover, the work performed by Mr. Alexander, Mr. Ruff and Mr. McElhoe would have otherwise been conducted by a junior associate at an hourly rate of not less than \$435.00 per hour. Based on the nature of the research conducted by the summer associates, Latham believes that the lower billing rate charged for the summer associates’ work outweighs any potential inefficiencies.

Latham submits that it is reasonable and appropriate to bill the summer associate time at a rate of \$370.00 per hour because the summer associates completed legal research of a nature and substance to which they were capable and that was beneficial to Latham’s representation of the Committee. Moreover, Latham accounted for potential inefficiencies of the summer associates by writing off a portion of their time before it was billed to the client. That said, Latham does not believe that there was any inefficiency due to “ramp-up” time. The summer associates were utilized to research specific points of law for use in the attorneys’ legal analysis. The nature of the work required a discussion of the legal point being researched and any follow-up questions based on the

research outcomes. Latham believes that if the summer associates had not completed this research, attorneys would have been required to do so at a higher cost to the Committee. Moreover, the research that was completed by the summer associates was overseen by attorney supervisors. Latham believes that the work performed by these summer associates was of value to the Committee and assisted the attorneys in their legal analysis and effective representation of the Committee.

2. In its Initial Report, the Fee Auditor asked if Latham bills all of its other clients (both bankruptcy and non-bankruptcy) for summer associates' time and at what hourly rate that time is billed. It is Latham's policy that if a summer associate works on a particular client-matter, the client is billed for the summer associate's time. As with time recorded by partners, associates and paralegals, the billing partner on any particular matter has discretion to write-off portions of time if the billing partners deems necessary or appropriate given the subject matter of the work, the time spent and any "ramp-up" time. During the period in question (the summer of 2010), the rate for all summer associates was \$370.00 per hour.

# New York Law Journal

Select '**Print**' in your browser menu to print this document.

Copyright 2010. ALM Media Properties, LLC. All rights reserved. New York Law Journal Online  
Page printed from: <http://www.nylj.com>

[Back to Article](#)

---

## Clients Grow Cool to the Support of Dwindling Summer Classes

Nate Raymond

06-08-2010

As law firms welcome this year's summer associate classes, one major bank has told its outside counsel that it will no longer pay for the law students' time.

The policy recently announced by Citigroup Inc. was included in guidelines provided to its outside counsel and goes into effect July 1. The new rule "reflects our commitment to prudently managing expenses," Citi spokeswoman Shannon Bell said in a statement.

A source said the fees Citi has paid over the last few years for summer associates have been minimal. But the bank's decision nevertheless emphasizes the growing reluctance of clients to subsidize the training of associates, particularly once the recession hit.

J. William Dantzler Jr., a tax partner at White & Case who oversees hiring in New York, said with regard to billing clients for summer associates, it has been "a slide for 10 years."

"More and more clients don't want summer associates to bill to them," he said. "When I started almost all clients would accept it. And it's evolved to where a lot of clients don't."

Viacom Inc., for example, has for several years not allowed firms to bill for summer associate time, said deputy general counsel Mark Morril, even though the company does allow firms to bill for inexperienced first-year associates.

"At least a first year is going to be there a bit longer term and has generally [completed] another year of law school and is probably supervised a little more closely," Mr. Morril said.

Law firm partners generally say they tend to write off much of the billable hours summer associates submit in recognition that, as lawyers in training, they are not as efficient as mid-level or senior associates. But when top-tier New York firms do bill for their work, the rate can go as high as \$225 an hour, lawyers said.

Leonard Amoruso, general counsel of Knight Capital Group Inc., said via e-mail that at "a high level, we do not oppose the use of summer associates."

"However, if it appears that the summer associates are billing for time to learn the subject

matter or get up to speed, we would question those amounts," he said.

## Smaller Classes

Ironically, between their Broadway plays, baseball games and cocktail parties, summer associates this year are likely to do more substantive work than their predecessors, several hiring partners said, due to the smaller size of the summer classes. That is the case at Cahill Gordon & Reindel, which has 15 summer associates, down from 38 last year.

This year's summer associates "have the ability to get a greater proportion of substantive work than if they were competing with a larger class, and they get more individualized attention from partners and associates," said Jonathan Schaffzin, co-administrative partner at Cahill Gordon.

Last year, Shearman & Sterling instituted a policy that every summer associate in each practice group rotation had to produce at least one piece of substantive writing, such as a memorandum of law, said hiring partner John Cannon III. Such a policy would have been difficult for Mr. Cannon and others in charge of the summer program to oversee in 2008, when the firm had 129 summer associates. But in 2009, the firm had 52 summer associates, and this year, Shearman has 28, he said.

"Sometimes in the past with larger classes we didn't have that much basis to substantively review the work and the potential of the students or give them much feedback," he said. "And now we're very strict about enforcing that. It's good for us and probably even more so for the students."

Law firm partners said that due to the recession, many of the frills typically associated with summer classes of yesteryear have been de-emphasized. But clients' growing reluctance to pay for the work of summer associates does not affect the size of future programs, said Mr. Dantzler of White & Case. The class size is based on firm needs, not cost, he said, so the net result will be that firms will simply take on more of the burden.

"You don't make money off the summer associate class anyway," he said. "It's a fairly expensive cost no matter what. And so this just affects the cost, but it doesn't affect any of the decision making."

## Declining Summer Associate Classes

Firm	2009	2010	% change
Skadden, Arps, Slate, Meagher & Flom	102	34	-67.7% ▼
Paul, Weiss, Rifkind, Wharton & Garrison	102	58	-43.1% ▼
Simpson Thacher & Bartlett	57	62	8.8% ▲
Weil, Gotshal & Manges	96	20	-79.2% ▼
Cravath, Swaine & Moore	121	22	-81.8% ▼
Davis Polk & Wardwell	109	74	-32.1% ▼
Debevoise & Plimpton	104	50	-51.9% ▼
Dewey & LeBoeuf	63	33	-47.6% ▼
Sullivan & Cromwell*	104	70	-32.7% ▼
Cleary Gottlieb Steen & Hamilton	96	76	-20.8% ▼

\*Firmwide numbers

SOURCE: National Association for Law Placement

6/9/2010

<http://www.law.com/jsp/nylj/PubArticl...>

@ | *Nate Raymond can be reached at [nraymond@alm.com](mailto:nraymond@alm.com).*