

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:)	Chapter 11
)	
FOCAL COMMUNICATIONS)	Case No. 02-13709 (KJC)
CORPORATION, <i>et al.</i> , ¹)	(Jointly Administered)
)	
Debtors.)	

Objection Deadline: August 18, 2003 at 4:00 pm. (E.T.)

Hearing Date: August 21, 2003 at 3:30 p.m. (E.T.)

**SUMMARY OF FOURTH AND FINAL APPLICATION OF MILLER BUCKFIRE
LEWIS YING & CO., LLC FOR COMPENSATION FOR SERVICES RENDERED
AND REIMBURSEMENT OF EXPENSES AS FINANCIAL ADVISOR AND
INVESTMENT BANKER TO THE DEBTORS FOR THE PERIOD FROM
DECEMBER 19, 2002 THROUGH JULY 1, 2003**

Name of Applicant: Miller Buckfire Lewis Ying & Co., LLC (f/k/a Miller
Buckfire Lewis & Co., LLC)
(Financial Advisor and Investment Banker to the Debtors)

Date of Retention: February 4, 2003, *Nunc Pro Tunc* to December 19, 2002

Period for which compensation
and reimbursement are sought: Fourth: May 1, 2003 through June 30, 2003
Final: December 19, 2002 through July 1, 2003

Amount of Compensation sought
as actual, reasonable, and necessary: Fourth: \$1,760,000.00
Final: \$3,200,000.00

Amount of Expense Reimbursement
sought as actual, reasonable, and necessary: Fourth: \$41,646.05
Final: \$86,527.14

This is a: ☐ monthly ☐ interim ☒ final application.

The total time expended for preparation of this application is approximately 4 hours and the
corresponding compensation requested is approximately \$0.00.

¹ The Debtors are the following entities: Focal Communications Corporation, Focal Communications Corporation of California, Focal Communications Corporation of Colorado, Focal Communications Corporation of Connecticut, Focal Communications Corporation of Florida, Focal Communications Corporation of Georgia, Focal Communications Corporation of Illinois, Focal Communications Corporation of Massachusetts, Focal Communications Corporation of Michigan, Focal Communications Corporation of the Mid-Atlantic, Focal Communications Corporation of Minnesota, Focal Communications Corporation of Missouri, Focal Communications Corporation of New England, Focal Communications Corporation of New Jersey, Focal Communications Corporation of New York, Focal Communications Corporation of Ohio, Focal Communications Corporation of Pennsylvania, Focal Communications Corporation of Texas, Focal Communications Corporation of Virginia, Focal Communications Corporation of Washington, Focal Communications Corporation of Wisconsin, Focal Financial Services, Inc., Focal International Corp., Focal Telecommunications Corporation, Focal Equipment Finance, LLC and Focal Fiber Leasing, LLC.

PRIOR FEE APPLICATIONS:

Fee Application Filing Date, Docket No.	Total Fees Requested (100%)	Total Expenses Requested	Certificate of No Objection Filing Date, Docket No.	Amount of Fees Authorized to be Paid ⁽²⁾	Amount of Expenses Authorized to be Paid ⁽³⁾	Amount of Holdback Fees Requested ⁽⁴⁾
Filed: 3/18/03 Docket No.: 390	\$400,000.00	\$18,524.06	Filed: 4/8/03 Docket No.: 470	\$320,000.00	\$18,524.06	\$40,000.00
Filed: 4/29/03 Docket No.: 540	\$200,000.00	\$24,892.09	Filed: 5/20/03 Docket No.: 679	\$160,000.00	\$24,892.09	\$40,000.00
Filed: 6/17/03 Docket No.: 871	\$200,000.00	\$1,464.94	Filed: 7/8/03 Docket No.: 959	\$160,000.00	\$1,464.94	N/A
Total	\$800,000.00	\$44,881.09		\$640,000.00	\$44,881.09	\$80,000.00

HOURS BY INDIVIDUAL

Name of Individual	Position	Fourth Application Period Hours	Final Application Period Hours	Total Compensation
Kenneth A. Buckfire	Managing Director	7.5	35.5	N/A
Qazi M. Fazal	Principal	71.5	225.5	N/A
Harold Neu	General Counsel	6.0	37.5	N/A
Lloyd A. Sprung	Associate	187.5	450.0	N/A
Jared M. Golub	Associate	167.0	407.5	N/A

Grand Total:

439.5

1,156.0

² Amount represents 80% of fees during period.

³ Amount represents 100% of expenses during period.

⁴ Amount represents 20% of fees during period.

HOURS BY PROJECT CATEGORY

Project Category	Project Number	Proposed Application Period: Total Hours	Final Application Period: Total Hours	Total Fees Requested
Coordination of the chapter 11 Process and Administration	1	120.5	309.5	N/A
Interface with Professionals, Official Committees and Other Parties-In-Interest	2	102.0	404.0	N/A
Business Operations Planning, Monitoring, Reporting and Analysis, Preparation of Presentation Materials	3	58.5	167.0	N/A
General Corporate Finance, Including Chapter 11 and Exit Financing, Securities Design, Valuation, Merger, Acquisition, and Divestiture Activities and Taxation Issues	4	141.0	230.0	N/A
Travel	5	17.5	45.5	N/A
Total		439.5	1,156.0	N/A

EXPENSE SUMMARY

Expense Category	Proposed Application Period: Expenses	Final Application Period: Expenses
Air Tickets	\$1,630.50	\$4,708.50
Hotel	608.04	946.99
OT Meals	714.42	1,100.17
Transportation	1,455.28	3,135.60
Telephone	232.47	1,134.98
Travel Meals	79.01	197.17
Printing/Reproduction	3,748.96	5,717.78
Postage	14.00	35.00
Other	644.53	1,340.12
Legal	32,518.84	68,210.83
Total	\$41,646.05	\$86,527.14

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**FOURTH AND FINAL APPLICATION OF MILLER BUCKFIRE LEWIS
YING & CO., LLC FOR COMPENSATION FOR SERVICES RENDERED
AND REIMBURSEMENT OF EXPENSES AS FINANCIAL ADVISOR AND
INVESTMENT BANKER TO THE DEBTORS FOR THE PERIOD FROM
DECEMBER 19, 2002 THROUGH JULY 1, 2003**

Pursuant to sections 328(a) and 330 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code") and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and this Court's Order Establishing Interim Fee Application and Expense Reimbursement Procedures, entered January 23, 2003 (the "Fee Order"), Miller Buckfire Lewis Ying & Co., LLC, f/k/a Miller Buckfire Lewis & Co., LLC ("MBLY"), hereby submits its Fourth and Final application for allowance of compensation for services rendered and for reimbursement of expenses, from the commencement of these Chapter 11 cases on December 19, 2002 through and including July 1, 2003 (the "Final Application

¹ The Debtors are the following entities: Focal Communications Corporation, Focal Communications Corporation of California, Focal Communications Corporation of Colorado, Focal Communications Corporation of Connecticut, Focal Communications Corporation of Florida, Focal Communications Corporation of Georgia, Focal Communications Corporation of Illinois, Focal Communications Corporation of Massachusetts, Focal Communications Corporation of Michigan, Focal Communications Corporation of the Mid-Atlantic, Focal Communications Corporation of Minnesota, Focal Communications Corporation of Missouri, Focal Communications Corporation of New England, Focal Communications Corporation of New Jersey, Focal Communications Corporation of New York, Focal Communications Corporation of Ohio, Focal Communications Corporation of Pennsylvania, Focal Communications Corporation of Texas, Focal Communications Corporation of Virginia, Focal Communications Corporation of Washington, Focal Communications Corporation of Wisconsin, Focal Financial Services, Inc., Focal International Corp., Focal Telecommunications Corporation, Focal Equipment Finance, LLC and Focal Fiber Leasing, LLC.

Period”), including for the period May 1, 2003 through and including June 30, 2003 (the “Fourth Application Period”), seeking fees in the amount of \$1,760,000.00 and expenses in the amount of \$41,646.05 for the Fourth Application Period and fees in the amount of \$3,200,000.00 and expenses in the amount of \$86,527.14 for the Final Application Period and (the “Application”). In support of this Application, MBLY respectfully represents as follows:

BACKGROUND

1. On December 19, 2002 (the “Petition Date”), the Debtors filed separate voluntary petitions for relief under chapter 11 of the Bankruptcy Code. Since the Petition Date, the Debtors have been operating their businesses and managing their properties as debtors in possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code. On December 20, 2002, the Court entered its order that Debtors’ chapter 11 cases be consolidated for procedural purposes only and administered jointly.
2. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

RETENTION OF MBLY

3. On February 4, 2003, the Court entered an Order Pursuant to 11 U.S.C. §§ 327(a) and 328(a) and Fed. Bankr. P. 2014(a), 2016 and 5002 authorizing the retention and employment of MBLY as financial advisor and investment banker to the Debtors, *nunc pro tunc* to December 19, 2002 (the “Retention Order”). A copy of the Retention Order is attached as Exhibit A, and a copy of MBLY’s engagement letter is attached as Exhibit B.

RELIEF REQUESTED

4. Pursuant to MBLY's engagement letter with the Debtors, as approved and modified by the Retention Order, MBLY is authorized to receive a monthly financial advisory fee (a "Monthly Fee") of \$200,000.00 for each month during the term of the engagement and to be reimbursed for its reasonable and actual out-of-pocket expenses incurred in connection with the engagement. Additionally, MBLY is authorized to receive a Restructuring Transaction Fee of \$3,000,000.00, provided that the total cash fees to be received by MBLY shall not exceed \$3,600,000.00.
5. The Court approved the terms of MBLY's retention pursuant to Section 328(a) of the Bankruptcy Code. The Official Committee of Unsecured Creditors (the "Committee") filed an appeal from that Order. At the request of the Debtors and the Committee, and to facilitate an orderly and expeditious closure to these chapter 11 cases, MBLY has agreed that it will not seek total fees in excess of \$3,200,000.00. The Committee has agreed to withdraw its pending appeal, with prejudice, and the Debtors and the Committee have agreed to support the payment of the reduced fees.
6. Accordingly, MBLY seeks (1) allowance of compensation for professional services rendered to the Debtors during the Fourth Application Period in the aggregate amount of \$1,760,000.00; (2) reimbursement of MBLY's reasonable and actual out-of-pocket expenses incurred and recorded in connection with the rendition of such services during the Fourth Application Period in the aggregate amount of \$41,646.05; (3) allowance of compensation for professional services rendered to the Debtors during the Final Application Period in the aggregate amount of \$3,200,000.00; and (4) reimbursement of MBLY's reasonable and actual out-of-pocket expenses incurred and recorded in

connection with the rendition of such services during the Final Application Period in the aggregate amount of \$86,527.14.

7. The following table sets forth the fees that have been paid, the fees remaining to be paid and MBLY's total fees:

Fees Paid	
Monthly Pre-Petition Fees Paid to Date (September 2002 - December 2002)	\$ 800,000
Monthly Post-Petition Fees Paid to Date (January 2003 - April 2003)	<u>640,000</u>
Subtotal	\$ 1,440,000
Fees to be Paid	
Holdback	\$ 160,000
Monthly Fees to be Paid (May 2003 - June 2003)	400,000
Restructuring Transaction Fee	1,600,000
Credit	<u>(400,000)</u>
Subtotal	\$ 1,760,000
Total Fees	\$ 3,200,000

8. A summary schedule, with descriptions of expenses for which MBLY is seeking reimbursement and the total amount for each such expense category during the Fourth Application Period, is attached as Exhibit C. The amount of fees and expenses sought are consistent with market practices both in and out of the bankruptcy context.
9. MBLY does not normally maintain detailed written time records in the course of providing financial advisory and investment banking services to its clients, and does not charge hourly rates for its services. However, MBLY has maintained written records in half-hour increments of the time expended by its professionals in the rendition of professional services to the Debtors after the Petition Date. Such time records are made contemporaneously with the rendition of services by the person rendering such services. A schedule setting forth the number of hours expended by each of the professionals who rendered services to the Debtors can be found as part of this Application. A more comprehensive listing of the hours is attached as Exhibit D.

PRIOR PAYMENTS TO MBLY

10. No payments other than those described in MBLY's retention application filed with the Court on December 19, 2002 or within this Application or MBLY's other fee applications have been made to MBLY for services rendered and expenses incurred in connection with these chapter 11 cases.

SERVICES RENDERED BY MBLY

11. MBLY performed substantial services for the Debtors prior to the commencement of these chapter 11 cases. During the period from September 2002 through mid-December 2002, MBLY reviewed and analyzed the Debtors' businesses plans and financial projections; analyzed strategic alternatives for the Debtors; valued the Debtors' businesses; prepared presentations for the Debtors' management and directors; devised a restructuring proposal; designed and negotiated the terms of new securities to be issued; and helped negotiate the agreement in principle with the Banks and the holders of the Convertible Secured Notes that is the basis of the Debtors' plan of reorganization. These services were described more specifically during the hearing that led to the entry of the Retention Order.
12. MBLY continued to perform work for the Debtors during the Final Application Period as further described in this and MBLY's prior fee applications. MBLY has attempted to divide its work on behalf of the Debtors throughout the chapter 11 cases into four general categories.

1. Coordination of the Chapter 11 Process and Administration

13. This category includes various services related to Chapter 11 non-plan issues, retention matters, addressing Debtors' and counsel's questions, Chapter 11 procedures, communications and administrative functions. In addition, MBLY:

- Attended court hearings to provide testimony in support of MBLY's retention in these chapter 11 cases;
- Participated in negotiations regarding the Debtors' Disclosure Statement and Plan of Reorganization;
- Reviewed and assisted in the drafting of the Debtors' Disclosure Statement and Plan of Reorganization; and
- Participated with Debtors' counsel in preparation of litigation materials and in depositions.

2. Interface with the Debtors, Professionals, Official Committees and Other Parties-In-Interest

14. This category includes correspondence and preparation for meetings with other parties-in-interest and the Debtors' other professionals (both in-person and via conference call).

Among other things, during the Final Application Period, MBLY:

- Attended meetings and participated in conference calls with employees and officers of the Debtors and their legal advisors;
- Attended meetings and participated in conference calls with the Board of Directors;
- Assisted the Debtors in discussions with their auditors;

- Attended meetings and participated in conference calls with the Senior Secured Lenders and their advisors;
- Attended meetings and participated in conference calls with the Official Committee of the Unsecured Creditors and its advisors;
- Attended meetings and participated in conference calls with the Senior Secured Convertible Noteholders;
- Responded to various subpoena requests from the Official Committee of the Unsecured Creditors;
- Held discussions with the Debtors and the Debtors' other advisors regarding valuation and negotiations with the Official Committee of Unsecured Creditors; and
- Attended meetings and participated in conference calls with other parties-in-interest.

3. Business Operations Planning, Monitoring, Reporting and Analysis, Preparation of Presentation Materials

15. During the Final Application Period, MBLY prepared numerous presentations to key parties including the Bank Group, the Official Committee of the Unsecured Creditors and the Board of Directors. More specifically, MBLY:

- Assisted the Debtors in the preparation of presentation materials for the Official Committee of the Unsecured Creditors and its advisors;
- Assisted the Debtors in the preparation of presentation materials for the Board of Directors;

- Held numerous telephone conversations and meetings with members of the Debtors' management team, including, but not limited to, the following persons:

Kathy Perone	Jay Sinder	Debra O'Shea
Matt Berns	Dan Montgomery	Dick Metzger

- Expended significant time and effort meeting the due diligence requirements of various parties-in-interest to these Chapter 11 cases;
- Analyzed and reviewed several revisions of the Debtors' revised business operating forecasts;
- Participated in conference calls with the Debtors' management team to discuss the revised business operating forecasts;
- Reviewed and analyzed cash flow forecasts of the Debtors; and
- Participated in conference calls with the Debtors' management team to discuss the Debtors' operations.

4. General Corporate Finance, Including Chapter 11 and Exit Financing

16. During the Final Application Period, MBLY assisted the Debtors with the design, development and negotiation of the Plan of Reorganization,² including designing and negotiating new securities, negotiating intercreditor issues, developing critical vendor treatment and analyzing the feasibility and ramifications of all of the above. Specifically, MBLY:

- Reviewed and analyzed the Debtors' historical and projected operating results and liquidity requirements;

² Time entries relating to these plan negotiations can be found in either category # 2 in Exhibit D (which includes all meetings, conferences and negotiations) and in category # 4.

- Developed financial models of the Debtors' operating performance;
- Developed various valuation and liquidity analyses;
- Analyzed potential capital structures;
- Developed recapitalization/financing models and ran multiple scenarios to determine optimal capital structure alternatives;
- Assisted the Debtors in designing a financial model with the ability to sensitize various capital structure and financing scenarios;
- Assisted the Debtors in performing a liquidation analysis, both on a consolidated and subsidiary level basis;
- Analyzed the recoveries to various constituents as a result of various valuation, capital structure and liquidity analyses; and
- Prepared expert reports on going-concern valuation and liquidation valuation at the request of Debtors' counsel.

MBLY'S FEES

17. In the Retention Order, this Court approved the terms of MBLY's engagement letter, including the provisions relating to Monthly Fees and Restructuring Transaction Fees, pursuant to Section 328(a) of the Bankruptcy Code. MBLY respectfully submits that the services for which MBLY seeks compensation in this Application were necessary for, and beneficial to, the Debtors and are consistent with the terms of Section 328(a). In addition, the compensation sought by MBLY is based on customary compensation charged by comparable experts both in and out of the bankruptcy context. For the foregoing reasons, MBLY respectfully requests that the Court grant the relief requested in this Application.

NO SHARING OF COMPENSATION

18. No agreement or understanding prohibited by section 504 of the Bankruptcy Code exists between MBLY and any other person for sharing of compensation received or to be received for services rendered in or in connection with these chapter 11 cases, nor shall MBLY share or agree to share the compensation paid or allowed for the Debtors' estate for such services with any other person in contravention of section 504 of the Bankruptcy Code. No agreement or understanding prohibited by 18 U.S.C. § 155 has been made by MBLY.
19. Pursuant to Bankruptcy Rule 2016(a), no payments have heretofore been made (except as noted in paragraph 7 of this Application) or promised to MBLY for services rendered or to be rendered in any capacity in connection with these chapter 11 cases.
20. In accordance with the Local Rules, the Certification of Qazi M. Fazal is hereto attached as Exhibit E and incorporated herein by reference.

NOTICE

21. In accordance with the Administrative Order, notice of this Application has been given to: the Office of the United States Trustee, counsel to the Debtors' pre-petition secured lenders and counsel to the Official Committee of Unsecured Creditors. In light of the nature of the relief requested herein, MBLY submits that no other or further notice is required.

WHEREFORE, MBLY respectfully requests that the Court approve, (1) for the Fourth Application Period, the sum of \$1,760,000.00 as compensation for necessary professional services rendered, and the sum \$41,646.05 for reimbursement of actual necessary costs and expenses, for a total of \$1,801,646.05; (2) for the Final Application Period, the sum of \$3,200,000.00 as compensation for necessary professional services rendered, and the sum \$86,527.14 for reimbursement of actual necessary costs and expenses, for a total of \$3,286,527.14; (3) that the Debtors be authorized and directed to pay the amount of \$1,801,646.05 to MBLY; and (4) that the Court grant such other and further relief as the Court may deem just and proper.

Dated: July 28, 2003

MILLER BUCKFIRE LEWIS YING & CO., LLC

BY: 

Qazi M. Fazal
Principal
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New York, NY 10117
(212) 895-1830

Financial Advisor and Investment Banker