

Not for Publication

UNITED STATES BANKRUPTCY COURT
DISTRICT OF CONNECTICUT

| | | | |
|----------------------|---|----------------|---------------|
| ----- |) | CASE NO. | 02-30574 |
| IN RE: |) | | |
| |) | CHAPTER | 11 |
| AHEAD COMMUNICATIONS |) | | |
| SYSTEMS, INC., |) | DOC. I.D. NOS. | 403, 431, 436 |
| |) | | |
| DEBTOR. |) | | |
| ----- | | | |

APPEARANCES

| | |
|----------------------------|-------------------------------|
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**MEMORANDUM OF DECISION AND ORDER RE: FOURTH INTERIM FEE
APPLICATION FOR ALLOWANCE OF COMPENSATION AND REIMBURSEMENT
OF EXPENSES BY COUNSEL TO DEBTOR-IN-POSSESSION AND
UNITED STATES TRUSTEE'S OBJECTION THERETO**

Lorraine Murphy Weil, United States Bankruptcy Judge

The matters before the court are the Fourth Interim Fee Application for Allowance of Compensation and Reimbursement of Expenses by Counsel to Debtor-in-Possession (Doc. I.D. No.

403, the "Application") (as supplemented by Doc. I.D. No. 436) and the United States Trustee's (the "UST") objection to the same (Doc. I.D. No. 431, the "Objection").

I. BACKGROUND

To adequately understand certain aspects of the dispute between counsel for the debtor in possession and the UST, some case background is necessary. This chapter 11 case was commenced by a petition filed by the above-referenced debtor (the "Debtor") on February 7, 2002. At all times relevant hereto, the Debtor has been a debtor in possession pursuant to Bankruptcy Code §§ 1107 and 1108. On February 15, 2002, the court entered an order approving the Debtor's retention of the firm of Zeisler and Zeisler, P.C. ("Z&Z") as the Debtor's general bankruptcy counsel. General DataComm Industries, Inc. ("GDC") is the primary secured creditor in the case with a claimed security interest in all or substantially all of the Debtor's assets (collectively, the "Collateral").¹ An official committee (the "Committee") of unsecured creditors has been appointed and is serving in this case.

On June 8, 2004, GDC and the Committee filed a joint disclosure statement (Doc. I.D. No. 360, the "Joint Disclosure Statement") and a joint liquidating plan of reorganization (Doc. I.D. No. 359, the "Joint Plan"). The Joint Plan provides that, *inter alia*, (a) on its effective date all of the Collateral will be transferred to NEWCO, a wholly-owned subsidiary of GDC and (b) unsecured creditors will receive a *pro rata* share of \$500,000.00. The Joint Disclosure Statement and the Joint Plan take the position that the portion of GDC's claim that is secured by the Collateral (the "Secured

¹ The primary evidence of GDC's secured debt (a promissory note) was assigned to Foothill Capital Corp., as Agent, on or about August 13, 2001. The Debtor claims that such assignment created an "ambiguity" as to the ownership of that note. Any such "ambiguity" is not relevant to these matters. Accordingly, this memorandum of decision will speak of GDC as the undisputed owner of the relevant secured debt.

Claim”) is substantially undersecured and, accordingly, GDC owns a large unsecured claim (to the extent it exists, the “Deficiency Claim”) which GDC is entitled to vote with respect to plan confirmation.²

On June 17, 2004, the Debtor filed a competing plan (Doc. I.D. No. 369, the “Debtor’s Plan”) together with a corresponding disclosure statement (Doc. I.D. No. 368, the “Debtor’s Disclosure Statement”). The Debtor’s Plan contemplates that the Debtor will retain the Collateral and continue to operate its business postconfirmation. The Debtor’s Plan places the Secured Claim in a class by itself and treats the Secured Claim as fully secured in the amount of \$16,258,836.66.³ The Debtor’s Plan proposes to pay the Secured Claim in full with a note requiring monthly installments of principal and interest, amortized over ten years, but maturing (with a “balloon”) in three years. The Debtor’s Plan further provides for the rejection of the APA (to the extent such may be executory (which the Debtor disputes)). The Debtor’s Plan further provides:

In the event of a payment default under this Plan . . . , at its option, GDC can have the Debtor’s assets transferred to GDC, or its designee and the Debtor will be liquidated and dissolved under applicable law; or 100% of the New Common Stock of . . . [the Debtor] will be transferred to GDC or its designee.

² The Debtor originally was formed to acquire certain assets and operations of a division of GDC pursuant to a certain Asset Purchase Agreement (the “APA”). GDC filed a proof of claim (Claim No. 42, the “GDC Claim”) in this case in the amount of \$18,166,804.22 for “[g]oods [s]old,” and a claim in the amount of \$572,979.75 for “[s]ervices performed [to the extent it exists, the “Services Claim”).” The GDC Claim asserts that the claim for “goods sold” is secured by the Collateral (i.e., constitutes the Secured Claim), but that the Services Claim is not. The Debtor filed an objection (Doc. I.D. No. 375, the “Claim Objection”) to the GDC Claim on June 24, 2004. The Claim Objection objects to the Services Claim on the grounds that the Services Claim “is based upon erroneous and wrongful billing related to . . . [certain services] allegedly performed by GDC pursuant to § 6.16 of the APA.” (Claim Objection at 6.)

³ That amount allegedly is the amount of the Secured Claim less adequate protection payments made during the case. The Deficiency Claim is not separately classified under the Debtor’s Plan.

(Debtor's Plan at 10, the "Default Remedy"). The Debtor's Plan proposes to pay unsecured creditors their *pro rata* share of \$1,000,000.00.⁴

The Debtor, the Committee and GDC have each objected to the other's respective disclosure statement. Pursuant to an order of this court entered on June 21, 2004, the Joint Disclosure Statement and the Debtor's Disclosure Statement were allowed to proceed in tandem. At a hearing on those disclosure statements held on July 14, 2004, both disclosure statements were marked "off" with right of reclaim to allow GDC the opportunity to file (1) a motion to value the Collateral and (2) a motion with respect to damages arising out of the Debtor's anticipated rejection of the APA.⁵ GDC filed a valuation motion (Doc. I.D. No. 392, the "Valuation Motion") on July 27, 2004 and, on the same day, filed a motion (Doc. I.D. No. 393, the "Rejection Claim Voting Motion") to temporarily allow the Rejection Claim for voting purposes.

At an on the record status conference held on July 28, 2004, the parties explained their positions at some length. Briefly put, GDC argued that the Deficiency Claim exists, that the Debtor has misclassified it by failing to bifurcate the Secured Claim into its secured portion and unsecured portion (i.e., the Deficiency Claim) in accordance with Bankruptcy Code § 506(a), and that the Debtor's Plan improperly denies GDC a separate vote on the Deficiency Claim.⁶ The Debtor argues that, even if the Deficiency Claim exists (which the Debtor questions), the Debtor's Plan's failure to bifurcate the Secured Claim (and to allow GDC to vote the Deficiency Claim) is permissible

⁴ The Services Claim may be entitled to share in that fund.

⁵ Rejection (if apposite) could yield a large general unsecured claim (to the extent it exists, the "Rejection Claim") in addition to the Services Claim and the Deficiency Claim.

⁶ If GDC is correct, the Deficiency Claim might control the class of general unsecured claims if classified therein.

because the Debtor's Plan proposes to pay the Secured Claim in full and the Default Remedy provides for the surrender of the Collateral to (or for the benefit of) GDC in the event of a payment default.⁷ The court noted the novelty of the issues presented. The Valuation Motion, the Rejection Claim Voting Motion and the Claim Objection all remain pending.

Z&Z filed the Application on August 18, 2004. A hearing (the "First Hearing") on the Application was convened on September 22, 2004. At the First Hearing, the UST indicated that she had some issues with the Application.⁸ Accordingly, the First Hearing was continued to September 29, 2004 (the "Second Hearing") to allow the parties to discuss the issues further. The UST filed the Objection immediately prior to the Second Hearing. At the Second Hearing, the parties reported an impasse. At the conclusion of the Second Hearing, the court took the following actions with respect to the Application: (a) the court signed an order awarding to Z&Z \$96,233.60 in fees and \$4,008.81 in expense reimbursements and (b) took under advisement \$7,142.50⁹ in fees subject to Z&Z's filing modified exhibits to the Application¹⁰ and this court's adjudication of the Objection.

⁷ The Debtor also has suggested that the Default Remedy relieves the Debtor of proving plan feasibility (as that term ordinarily is understood).

⁸ The Application seeks an award of \$103,376.10 in fees and \$4,788.10 in expense reimbursement. Annexed to the Application are *inter alia*, relevant time records of Z&Z. A review of those records discloses that Z&Z has divided its billing file for the Debtor into separate billing subfiles including the following: "Chapter 11" (file #7818-00000); "Case Administration" (file #7818-00001); "Cash Collateral" (file #7818-00002); "Asset Analysis, Recovery and Disposition" (file #7818-00003); "Plan and Disclosure Statement" (file #7818-00004); "Professional Applications/Objections" (file #7818-00006); "Financing" (file #7818-00007); and "Claims Administration and Objection" (file #7818-00008).

⁹ However, based on the Objection, the disputed amount appears to be \$10,307.50.

¹⁰ Those modified exhibits have been filed. (*See* Doc. I.D. No. 436, the "Supplement.")

II. STANDARDS

The award of compensation to estate professionals is governed by Bankruptcy Code § 330 which provides in relevant part:

(a) (1) After notice to the parties in interest and the United States trustee and a hearing, and subject to sections 326, 328, and 329, the court may award to a trustee, an examiner, a professional person employed under section 327 or 1103 –

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

(B) reimbursement for actual, necessary expenses.

(2) The court may, on its own motion or on the motion of the United States Trustee, the United States Trustee for the District or Region, the trustee for the estate, or any other party in interest, award compensation that is less than the amount of compensation that is requested.

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

(A) the time spent on such services;

(B) the rates charged for such services;

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

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

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

(4) (A) Except as provided in subparagraph (B), the court shall not allow compensation for –

(i) unnecessary duplication of services; or

(ii) services that were not –

(I) reasonably likely to benefit the debtor's estate; or

(II) necessary to the administration of the case.

11 U.S.C.A. § 330 (West 2005). The burden of proof to show entitlement to the fees requested in the application is on the applicant. *In re Chas A. Stevens & Co.*, 109 B.R. 853, 854 (Bankr. N.D. Ill. 1990). “To meet that burden, the applicant must support its request for fees and expenses with specific, detailed and itemized documentation.” *In re The Bennett Funding Group, Inc.*, 213 B.R. 234, 244 (Bankr. N.D.N.Y. 1997). “In cases where the time entry is too vague or insufficient to allow for a fair evaluation of the work done and the reasonableness and necessity for such work, the court should disallow compensation for such services.” *Id.*

“As a general rule, attorney’s fees are determined by first calculating the lodestar, defined as [t]he number of hours reasonably expended on the litigation multiplied by a reasonable hourly rate.” *In re Raytech Corp.*, 241 B.R. 785, 788 (D. Conn. 1999) (citation and internal quotation marks omitted). That “lodestar figure” is subject to upward or downward adjustment by application of (*inter alia*) certain considerations identified in *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714 (5th Cir. 1974). See *In re Kero-Sun, Inc.*, 59 B.R. 630, 631 (Bankr. D. Conn. 1986) (Krechevsky, J.)¹¹ In determining the reasonableness of the services for which compensation is sought, the court should be mindful that

¹¹ The *Johnson* factors parallel certain factors set forth in Section 330(a)(3). *Bachman v. Laughlin (In re McKeeman)*, 236 B.R. 667, 671 (B.A.P. 8th Cir. 1999).

the appropriate perspective for determining the necessity of the activity should be prospective: hours for an activity or project should be disallowed only where a Court is convinced it is readily apparent that no reasonable attorney should have undertaken that activity or project or where the time devoted was excessive. This is especially true where, after the fact, matters have ultimately been resolved by consent. The Court's benefit of "20/20 hindsight" should not penalize professionals.

In re Drexel Burnham Lambert Group, Inc., 133 B.R. 13, 23 (Bankr. S.D.N.Y. 1991). *See also In re Cenargo Int'l PLC*, 294 B.R. 571, 595 (Bankr. S.D.N.Y. 2003) ("The focus is on what a reasonable lawyer would have done at the time; the Court should not invoke perfect hindsight.").

III. THE OBJECTION

The Objection is dealt with on an objection-by-objection basis below.

A. Objection Re: "Case Administration" Entries

The Objection objects to "the legal research entries of NLB, SMK and NLB on 04/05/04, on 04/07/04 and on 04/08/04, respectively" (Objection at 1), as follows:

The entries deal with research on classification of claims under section 1122(b). Entries of 04/05/04 and 04/06/04 of CIL^[12] under **Plan and Disclosure Statement** show a review of classification issues and a review of classifications cases on those dates and no entries that correspond with the research performed on 04/07/04 and 04/08/04. It is submitted that the entries under **Case Administration** was [sic] time spent by attorneys at the firm educating themselves on classification issues and in no way benefitted this estate as the dates do not match the entries of Attorney Lifland in connection with work done on the plan and Attorney Lifland appears to have devoted his own time to these issues. Moreover, it was difficult for the . . . [UST] to assess the need or benefit of such research since the entries were vague and were listed under an inappropriate project. Additionally, it appears that the amount of time devoted to this educational research was excessive. The objectionable entries total \$1,490.00.

¹² NLB was an associate with a billing rate of \$210.00/hr. SMK was a partner with a billing rate of \$275.00/hr. CIL is the lead attorney, Craig I. Lifland, Esq., who had a billing rate of \$350.00/hr.

(Objection at 1-2.) The entries objected to (as they appear in the Supplement) have the following descriptions:

| | | | | |
|------------|-----|--|-----------|--------|
| 04/05/2004 | NLB | Legal research re: claim classification re: secured claim and payment in full if undeseccured [sic] and gerrymandering | 3.50 hrs | 735.00 |
| 04/07/2004 | SMK | Legal research re: Section 1122(b) and impaired consenting class. | 1.60 hrs | 440.00 |
| 04/08/2004 | NLB | Legal research re: administrative convenience [class] as impaired consenting class. ⁽¹³⁾ | 1.50 hrs. | 315.00 |

The referenced entries of Attorney Lifland (taken from the “Plan and Disclosure” subfile as shown in the Supplement) are as follows:

| | | | | |
|------------|-----|---|---------|--------|
| 04/05/2004 | CIL | Review LTV and related . . . [classification] decisions | .50 hrs | 175.00 |
| 04/06/2004 | CIL | Review classification cases | .30 hrs | 105.00 |

The court deems the NLB entry for 04/05/2004 to be proper. That entry refers to the novel classification and voting issues discussed in part I of this memorandum. As such, it is a legitimate part of the Debtor’s formulation of its plan and plan confirmation strategy. Moreover, the entry “ties” appropriately with Attorney Lifland’s entries as it is appropriate for a senior attorney to review

¹³ These entries appear in the “Case Administration” billing file when they should have appeared in the “Plan and Disclosure Statement” billing file. The court has been given no evidence to suggest that the foregoing was other than innocent time-keeping entry miscodings by these time keepers in the context of numerous correctly coded entries on numerous subfiles.

a more junior attorney's research results.¹⁴ Given the novelty of the issues, the time spent is not excessive. Finally, the description (as it appears in the Supplement) is sufficiently specific.

The court deems the 04/07/2004 SMK entry (as it appears in the Supplement) to be too vague to be allowed. Similarly, since the Debtor's Plan does not provide for an "administrative convenience class," an insufficient explanation has been given for the 04/08/2004 NLB entry.

B. Objection Re: "Plan and Disclosure Statement" Entries

The Objection objects to a 10/30/03 entry of NLB "for legal research on classification of claims and gerrymandering." (Objection at 2.) The court finds Attorney Lifland's explanation for that entry (particularly as to its early date) to be too vague and concludes that the referenced charge must be disallowed.

The Objection objects to the entries of 05/26/04 and 05/27/04 by NLB "dealing with section 1129(a)(11) which deals with the concept that confirmation shall not be followed by liquidation" (Objection at 2) as follows:

It is the position of the UST that said research was for the purpose of educating the Applicant's attorney on this important requirement for confirmation and that the estate should not have to bear the economic burden of this research. Attorney Lifland appears to have performed his own research on the feasibility issue on 05/25/04, on 05/27/04 and on 06/18/04, the latter date being after the Debtor's Plan and Disclosure Statement had already been filed with the Court.

(Objection at 2.)

The referenced objection to entries (as they appear in the Supplement) are as follows:

¹⁴ It is not reasonable to assume that .8 hours would be sufficient time for Attorney Lifland to completely canvass the law on his own with respect to these novel issues.

| | | | | |
|------------|-----|---|----------|--------|
| 05/26/2004 | NLB | Legal research re: Section 1129(a)(11) feasibility issues; and balloon payments re: 3 year term and ability to refinance. | 3.00 hrs | 630.00 |
| 05/27/2004 | NLB | Legal research re: Section 1129(a)(11), balloon payments and liquidation re: 3 year term and ability to refinance. | 2.60 hrs | 546.00 |

The referenced entries of Attorney Lifland are:

| | | | | |
|------------|-----|---------------------------|---------|--------|
| 05/25/2004 | CIL | Review feasibility issues | .80 hrs | 280.00 |
| 05/27/2004 | CIL | Review feasibility cases | .70 hrs | 245.00 |
| 06/18/2004 | CIL | Review feasibility cases | .50 hrs | 175.00 |

The court is persuaded that the challenged entries do not relate to "self education." That is because the entries relate to the precise treatment of the Secured Claim under the Debtor's Plan, the feasibility of which is a litigable issue. Moreover, they "tie" adequately to Attorney Lifland's time entries on May 25 and May 27.¹⁵ Finally, the challenged time entries do not appear to be excessive. Accordingly, the court concludes that the challenged entries represent reasonable strategy development by Z&Z and ought to be allowed.

The UST objects to the entries of 7/13/04 and 07/14/04 by NLB "inasmuch as the time is excessive, that 7.9 hours researching whether the secured party has the right to object to the plan with no product produced as a result of said research, e.g. a brief." (Objection at 2.) The challenged entries (as they appear in the Supplement are as follows):

¹⁵ Again, it is a reasonable assumption that Attorney Lifland would not perform his own primary research but would review the research product of a more junior attorney.

| | | | | |
|------------|-----|--|----------|----------|
| 07/13/2004 | NLB | Conference with . . . [Attorney Lifland] re: research; legal research re: secured's rights to object to plan when treatment is payment in full and 1111(b) implications. | 2.80 hrs | 588.00 |
| 07/14/2004 | NLB | Legal research re: plan voting, Section 1111(b) and 1126 re: good faith issues and conflict of interest | 5.10 hrs | 1,071.00 |

The court does not agree with the UST that substantial research time investments always must result in a tangible product in order for such services to be compensable under Sections 330(a)(3)(C) and 330(a)(4)(A)(ii). However, on this record the court is not persuaded that the research product produced was anything more than copies of cases aggregated in a folder. Moreover, these time entries have not been distinguished sufficiently from the 6.6 hours of research time booked in April of 2004 considered in section III.A., above or the 5.6 hours of research time booked in May of 2004 considered above. When considered together with those earlier entries, on this record the July, 2004 entries may be duplicative and/or excessive. For the reasons stated, the challenged July, 2004 entries cannot be approved on this record.

C. Objection Re: "Claims Administration and Objections" Entries

The UST objects to the entries of LSG¹⁶ for 6/22/04, 6/23/04, 6/23/04, 6/29/04 and 6/29/04 which entries (as they appear in the Supplement) are as follows:

| | | | | |
|------------|-----|---|----------|--------|
| 06/22/2004 | LSG | Legal research defacto termination of . . . [APA] | 1.60 hrs | 440.00 |
| 06/23/2004 | LSG | Legal research re: defacto termination | 1.00 hrs | 275.00 |
| 06/23/2004 | LSG | Legal research restatement (second) of contract re: termination and damages | .70 hrs | 192.50 |

¹⁶ LSG is a partner with a billing rate of \$275.00/hr.

| | | | | |
|------------|-----|--|---------|--------|
| 06/29/2004 | LSG | Legal research re: termination and damages | .90 hrs | 247.50 |
| 06/29/2004 | LSG | Review PACER re: docket | .10 hrs | 27.50 |

The UST objects to the foregoing entries as follows:

According to the time records, LSG wrote the . . . [Claim Objection], which claim is based on the . . . [APA], on 06/18/04 and on 06/19/04. The contract research was performed after the objection had been written and, therefore, no product resulted from this research. If the Applicant claims that this research relates to the plan and disclosure statement, these had already been written and filed at the time of the research. If the research was performed for . . . a future issue, it was premature.

(Objection at 3.) The problem with the UST's Objection to the challenged entries is that, as explained by Attorney Lifland at the Second Hearing, those entries do not relate to the Services Claim and the Claim Objection but, rather, to the Rejection Claim and the Rejection Claim Voting Motion. As such, the challenged entries represent legitimate strategy development by Z&Z. Accordingly, since the entries are not excessive, they ought to be allowed.

D. Objection Re: "Asset Analysis, Recovery and Disposition" Entries

The UST objects to the entry of 4/26/04 by NLB and of 4/27/04 by CIL "for research on section 363 ordinary course" (Objection at 3) as follows:

During conversations had by . . . [UST] with Attorney Lifland, he stated that this research was conducted in connection with the debtor's purchase of another company. The only purchase of a company by this debtor, however, came before this Court and was approved on 5/21/03, one year prior to the research. It appears that the only other issue dealing with ordinary course in this case was in connection with the debtor's motion to sell all its business assets. The hearing on this motion was marked off on 07/17/03. If the research deals with section 363(k) (which was Attorney Lifland's original explanation when he discussed this with the . . . [UST]), neither the time sheets nor the docket give any indication of a credit bid arising . . . during this time frame. The benefit to the estate, therefore, cannot be determined. If the research relates to "payment of bonus on pre-petition employment contract and new agreement with new partner" as stated on the . . . [Supplement] provided by Attorney Lifland, this explanation for the research is confusing because the statue of

limitations on any transfer to be avoided (the payment of the pre-petition bonus) had already expired (section 546(a)) at the time that this research was performed, and there are no time entries in the application relating to a draft of an employment contract (which has to relation [sic] to the project under which it was billed – **Asset Analysis, Recovery and Disposition**). The objectionable entries total \$518.00.

(Objection at 3.)

The referenced objection to entries (as they appear in the Supplement) are as follows:

| | | | | |
|----------|-----|--|----------|--------|
| 04/26/04 | NLB | Legal research re: Section 363 ordinary course for payment of bonus on pre-petition employment contract and new agreement with new partner | 1.80 hrs | 378.00 |
| 04/27/04 | CIL | Review 363 cases on ordinary course | 0.40 hrs | 140.00 |

Attorney Lifland conceded at the Second Hearing that he represented to the UST that the challenged entries related to the purchase of a foreign affiliate, and that an order approving such sale was entered on May 21, 2003 (prior to the Application). However, Attorney Lifland also explained that the challenged time entries referred to research conducted with respect to two defined issues: (1) whether a bonus payment provided for in a pre-petition employment contract could be made in the ordinary course¹⁷ and (2) whether the Debtor could enter into a joint venture with a partner in the ordinary course of its business. The docket reflects that a Final Order Authorizing Use of Cash Collateral (Doc. I.D. No. 266) entered on June 16, 2004 (upon a May 26, 2004 motion), which order provided for the bonus payments referenced by Attorney Lifland.

The court finds Attorney Lifland's explanation satisfactory and determines that such inquiry is legitimate in light of the powers and duties of the Debtor to operate its business pursuant to

¹⁷ Attorney Lifland stated that that issue was raised by counsel for the Committee.

Bankruptcy Code §§ 1107 and 1108. Furthermore, the challenged time entries do not appear to be excessive. Accordingly, the challenged time entries represent reasonable services rendered by Z&Z and should be allowed.

E. Objection Re: “Professional Applications/Objections” Entries

The UST objects to the amount of time billed under Professional Applications as excessive on the following grounds:

Of the total of \$3,185.00, the amount of \$1,575.00 is attributable to the Applicant’s third interim application. The hourly rate charged is \$350.00. The UST’s position is that a reduction is appropriate. As the rate is high, the UST recommends a reduction of \$1,000.00.

(Objection at 3-4.)¹⁸

As can be seen from the Application (as clarified by the Supplement), the majority of the \$3,185.00 billed on the “Professional Applications/Objections” subfile was incurred by Z&Z with respect to the retentions and applications of estate professionals other than Z&Z. Less than \$1,200 was incurred by Z&Z with respect to the Prior Application.

Bankruptcy Code § 330(a) specifically contemplates that the preparation of fee applications is compensable thereunder if otherwise appropriate. *See* 11 U.S.C.A. § 330(a)(6) (West 2005) (“Any compensation awarded for the preparation of a fee application shall be based on the level and skill reasonably required to prepare the application.”). *See also In re Colonial Realty Co.*, 280 B.R. 299 (Bankr. D. Conn. 2002), (Krechevsky, J.) (allowing reasonable fees for preparing fee application).¹⁹

¹⁸ Z&Z’s Third Interim Application (Doc. I.D. No. 297, the “Prior Application”) was filed on October 17, 2003 and was allowed in the amount of \$96,969.44 for fees and reimbursements by order (Doc. I.D. No. 315) dated November 19, 2003 .

¹⁹ Section 330(a)(6) resolved a conflict on the point in the courts and the theory behind it was to compensate professionals for performance of certain billing-related tasks unique to

The UST suggests that the Prior Application should have been prepared by a more junior attorney at a lower rate. Attorney Lifland responds that a more junior attorney would have taken five or more hours to complete the project while Attorney Lifland required only a little more than three hours. The court credits that assertion. The junior attorney on this file billed at \$210.00/hr. If that attorney had taken five hours to complete the project and Attorney Lifland had taken half an hour to review the product, the total fee for preparing the Prior Application would have been almost what is sought now. Accordingly, and in light of the fact that the fees sought for preparing the Prior Application are less than 1.25% of the amount allowed on that fee application, the court finds the challenged fees to be reasonable and concludes that they should be allowed.

IV. CONCLUSION

For the reasons stated above, (a) the Objection is sustained in part and (b) Z&Z is awarded additional interim compensation on the Application in the amount of \$7,776.50 and said sum is authorized to be paid to Z&Z from escrowed funds held by counsel for the Debtor.

It is **SO ORDERED**.

BY THE COURT



Lorraine Murphy Weil
United States Bankruptcy Judge

DATED: April 7, 2005

bankruptcy. *Cf. In re Computer Learning Centers, Inc.*, 285 B.R. 191, 219 (Bankr. E.D. Va. 2002) (“[Those] portions of the billing process common to billing both bankruptcy clients and non-bankruptcy clients are not compensable under § 330 because they are part of the professional’s overhead.”)

OPINION SERVICE LIST

Case No.: 02-30574 (LMW)
Doc. ID Nos. 403, 431, 436
Name: In re Ahead Communications Systems, Inc.

1. Parties (attorneys):

Craig I. Lifland, Esq.
Patricia Beary, Esq.

Applicant/Attorney for Debtor
Attorney for United States Trustee

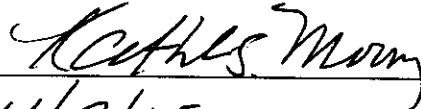
2. Judges:

Judge Alan H.W. Shiff
Judge Robert L. Krechevsky
Chief Judge Albert S. Dabrowski

3. Other:

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Signature of Sender



Date sent

4/7/05