

**UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:) Chapter 7
)
LANCELOT INVESTORS FUND, L.P., *et al.*) Case No. 08-28225, *et al.*
) (Jointly Administered)
Debtor.)
_____) Hon. Jacqueline P. Cox Presiding

**FIRST INTERIM FEE APPLICATION OF
JENNER & BLOCK LLP, AS COUNSEL FOR THE TRUSTEE,
FOR PAYMENT OF INTERIM COMPENSATION FOR SERVICES RENDERED AND FOR
REIMBURSEMENT OF EXPENSES INCURRED
FOR THE PERIOD FROM OCTOBER 20, 2008 THROUGH JANUARY 31, 2009**

Jenner & Block LLP (“Jenner”), counsel to Ronald R. Peterson, the chapter 7 trustee (the “Trustee”) for the bankruptcy estates of each of the debtors in the cases jointly administered in the above captioned case (the “Debtors”), hereby submits, this first interim fee application for payment of interim compensation for services rendered and for reimbursement of expenses incurred for the period from October 20, 2008 through January 31, 2009 (the “Application”) seeking (i) allowance and payment of \$1,462,863.25 in fees, and (ii) reimbursement of \$82,081.36, in expenses for the period from October 20, 2008 through January 31, 2009 (the “Application Period”), pursuant to sections 328, 330 and 331 of title 11 of the United States Code (the “Bankruptcy Code”), Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), Rule 5082-1 of the Local Rules of the United States Bankruptcy Court for the Northern District of Illinois (the “Local Rules”), the United States Trustee Fee Guidelines — Guidelines for Reviewing Applications for Compensation and Reimbursement of Disbursements Filed under 11 U.S.C. § 330 (Appendix A to 28 C.F.R. § 58) (the “UST Guidelines”), and the Administrative Order Establishing Procedures for Interim Compensation and Reimbursement of

Expenses of Professionals of this Court dated November 4, 2008 (Docket No. 46, the “Interim Payment Order”). In support of this Application, Jenner hereby states as follows:

INTRODUCTION

1. This Court has jurisdiction over the Application pursuant to 28 U.S.C. § 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b). Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The statutory predicates for the relief requested herein are sections 328, 330 and 331 of the Bankruptcy Code, as supplemented by Bankruptcy Rule 2016, Local Rule 5082-1, the UST Guidelines and the Interim Payment Order.

BACKGROUND

3. On October 20, 2008, the Debtors filed a petition for relief under chapter 7 of title 11 of the United States Code (the “Cases”). Thereafter, the United States Trustee for the Northern District of Illinois appointed Ronald R. Peterson as Trustee.

4. All of the factual background on the Debtors and their Estates set forth herein is on information and belief, based upon the Trustee’s discussions with the Debtors’ professionals, creditors and investors, publicly available news reports and court documents, the schedules and statements filed by the Debtors’ management companies, and a review of the as yet incomplete materials related to the Debtors that the Trustee has been successful in obtaining.

5. The Debtors consist of 19 related entities engaged in the operation of hedge funds. The 19 entities consist of five funds, Lancelot Investors Fund, L.P. (“Lancelot I”), Lancelot Investors Fund II, L.P. (“Lancelot II”), Lancelot Investors Fund, Ltd. (“Lancelot Offshore”), Colossus Onshore and Colossus Capital Fund, Ltd. (“Colossus Offshore,” and together with Lancelot I, Lancelot II, Lancelot Offshore, and Colossus Onshore, the “Funds”). The remaining

14 entities are special purpose vehicles, wholly owned by one or more of the Funds, through which the Funds conducted various types of lending transactions.

6. As of October 11, 2008, the Debtors collectively purportedly had assets with a value of approximately \$1.8 billion. Of that, approximately \$1.444 billion in face amount of the Debtors' purported assets purportedly consisted of loans to or investments in Petters Group Worldwide and related entities (the "Petters Notes").

7. In addition, as of the Petition Date, the Debtors also held (i) loans in the face amount of approximately \$50.304 million due from several "by here/pay here" used car dealerships; (ii) a loan in the face amount of approximately \$1.14 million to Symco, an entity that provides maintenance services for check scanning equipment; (iii) participations in thirteen real estate loan facilities with a total face amount of approximately \$94.229 million; (iv) loans and receivables on which Petters affiliate Polaroid Corporation or its affiliates are obligated in the approximate face amount of \$17.070 million; (v) investments in several other funds with approximate face amounts aggregating to \$28.982 million; and (vi) a frozen bank account at Charter One, N.A. in the approximate amount of \$6.8 million.¹

8. On October 28, 2008, the Court entered an interim order authorizing the retention of Jenner as the Trustee's primary counsel, retroactive to October 20, 2008 (Docket No. 18).

9. On November 4, 2008, the Court entered the Interim Payment Order. Pursuant to the Interim Payment Order, the Court established a procedure for interim compensation and reimbursement of expenses for professionals retained by the Trustee in these cases. In particular, the Court authorized the filing and service to certain notice parties of monthly interim fee statements by professionals retained in these cases and payment by the Debtors' estates of 80%

¹ This listing is simply a summary of known assets with the potential for monetization in the near term. It is not intended to be exhaustive. It does not, for example, include contingent recoveries that may arise from claims and causes of action held by the Debtors, or other miscellaneous assets.

of fees and 100% of expenses, in the absence of an objection made within [fourteen (14)] days of service of the pertinent application.

10. On November 11, 2008, the Court entered a final order authorizing the retention of Jenner, retroactive to October 20, 2008 (Docket No. 77).

11. On December 18, 2008, the Court entered an order authorizing the Trustee to make payment to his retained professionals according to the terms of the Interim Payment Order from any unencumbered funds of the Debtors. (the "Supplemental Order") (Docket No. 95).

PAYMENT AND REIMBURSEMENT REQUESTED

12. Jenner submits this Application (a) for payment of compensation for actual, reasonable, and necessary professional services performed by it as counsel for the Trustee during the Application Period, and (b) for reimbursement of actual, reasonable, and necessary disbursements made to pay expenses incurred in representing the Trustee during the Application Period. This is Jenner's first interim application.

13. During the Application Period, Jenner rendered legal services to the Debtors having a value of \$1,462,863.25 in fees, calculated at Jenner's usual and customary hourly rates as more specifically set forth herein. In addition, Jenner made disbursements to pay expenses in the amount of \$82,081.36 during the Application Period. Pursuant to the terms of the Interim Payment Order, Jenner has previously been paid \$846,733.40 in fees and reimbursed for \$49,666.92 in expenses. Therefore, Jenner currently seeks approval of this Application and payment of the remaining \$616,129.85 in fees incurred and reimbursement of the remaining \$32,414.44 in expenses incurred during the Application Period.

14. The fees sought by this Application reflect an aggregate of 3,966.7 hours of attorney and paraprofessional time spent and recorded in performing services for the Trustee

during the Application Period. This fee request does not include time that might be construed as duplicative or otherwise not beneficial to the Trustee or the Debtors' estates, which has already been eliminated by Jenner. Of the aggregate time expended, 805.6 recorded hours were expended by partners, 1,985 recorded hours were expended by counsel and associates, and 1,176.1 recorded hours were expended by paralegals and project assistants.

15. During the Application Period, Jenner's hourly billing rates for attorneys working on these matters ranged from \$325 to \$800 per hour. Allowance of compensation in the amount requested would result in a blended hourly billing rate for attorneys of approximately \$432.45. Such fees are reasonable based on the customary compensation charged by comparably skilled practitioners in comparable non-bankruptcy cases in a competitive national legal market. In accordance with the factors enumerated in section 330 of the Bankruptcy Code, the amount of fees requested is fair and reasonable given: (a) the complexity of this case, (b) the time expended, (c) the nature and extent of the services rendered, (d) the value of such services, and (e) the costs of comparable services other than in a case under the Bankruptcy Code.

16. Attached hereto as Exhibit A is a schedule setting forth all Jenner professionals and paraprofessionals who have performed services in the Cases during the Application Period, the capacities in which each such individual is employed by Jenner, the hourly billing rate charged for services performed by such individual, the aggregate number of hours expended in this matter and fees billed therefore, the year in which each professional was first licensed to practice law and the year in which each professional graduated from law school.

17. Attached hereto as Exhibit B is a summary by project categories of the fees generated by the services performed during the Application Period and, for each separate project

category, a list of each person providing services on the project, a statement of the number of hours spent and the amount of compensation requested for each person on the project.

18. Jenner maintains computerized records of the time spent by all attorneys and paraprofessionals and the expenses incurred in connection with the representation of the Trustee in the Cases. Copies of these computerized records are attached hereto as Exhibit C.

19. Attached hereto as Exhibit D is a schedule specifying the categories of expenses for which Jenner is seeking reimbursement and the total amount for each such expense category.

20. Attached hereto as Exhibit E is a detailed list of all expenses for which Jenner seeks reimbursement; Exhibit F contains copies of receipts for expenses of \$25 or more incurred during the Application Period.

21. All of the services for which interim compensation is sought were rendered to the Trustee solely in connection with these Cases, in furtherance of the duties and functions of the Trustee and not on behalf of any individual creditor or other person.

22. Jenner has not entered into any agreement, express or implied, with any other party for the purpose of fixing or sharing fees or other compensation to be paid for professional services rendered in this case.

23. Jenner has not shared, or agreed to share, (a) any compensation it has received or may receive with another party or person, other than with the members, counsel and associates of the firm, or (b) any compensation another person or party has received or may receive. No promises have been received by Jenner or any member thereof as to compensation in connection with these cases other than in accordance with the provisions of the Bankruptcy Code.

24. The Trustee has reviewed and approved Jenner's monthly fee statements prior to the filing of this Application.

25. To the extent that time or disbursement charges for services rendered or disbursements incurred relate to the Application Period, but were not processed prior to the preparation of this Application, Jenner reserves the right to request additional compensation for such services and reimbursement of such expenses.

BASIS FOR PAYMENT

26. Professional services and expenses for which compensation and reimbursement are sought were rendered and expended on behalf of the Trustee pursuant to chapter 7 of the Bankruptcy Code. Jenner believes it is appropriate that it be compensated for the time spent and be reimbursed for the expenses incurred in connection with these matters. All of the fees and expenses sought to be paid or reimbursed in this Application were actual, necessary, and reasonable, and benefited the Debtors' estates and creditors.

27. As set forth in Jenner's retention application, the Trustee retained Jenner as its counsel to provide the following professional services:

- a. Giving the Trustee legal advice with respect to his powers and duties in this case;
- b. Assisting the Trustee in his investigation of the acts, conduct, assets, liabilities and financial condition of the Debtors, the operation of the Debtors' business and any other matters relevant to the case;
- c. Investigating the Debtors' transactions with third parties and pursuing litigation where appropriate;
- d. Assisting the Trustee in liquidating the assets of the estates; and
- e. Performing all other legal services as may be required.

28. During the Application Period, Jenner has performed a wide variety of tasks on the Trustee's behalf in connection with his administration of the Debtors' estates. To provide an orderly summary of the services rendered to the Trustee by Jenner and in accordance with the UST Guidelines, Jenner has established numerous billing categories in connection with the Cases. The following summary is intended to highlight the major areas in which Jenner rendered services during the Application Period and is not intended to be a comprehensive detailed description of the work performed. Detailed descriptions of the day-to-day services provided and

the time expended performing such services in each project billing category are attached as Exhibit C. A list by project bill category of each person providing services on the project, a statement of the number of hours spent and the amount of compensation requested for each person on the project are attached as Exhibit B.

(a) **Case Administration (10100) (\$84,703.50 in Fees)**

This category covers miscellaneous activities that are not covered by other more specific categories. Included among the types of activities billed in this category are case administration tasks such as maintaining service lists and contact lists, and preparation of miscellaneous administrative motions and other pleadings. In addition, this category includes some activities which are not easily separated into separate categories such as attendance at a hearing to present multiple motions which would, on their own, fit into different substantive categories.

(b) **Asset Analysis and Recovery (10110) (\$29,704.50 in Fees)**

Jenner & Block has created specific categories for purposes of billing time related to the analysis and monetization of most of the significant assets the Trustee has identified in these estates. However, this category serves as a catch all for such asset analysis and recovery activities that do not fit neatly into one of those categories. Activities generally will not fit neatly into a more specific asset recovery category for one of two reasons. Either the activity is relevant to the liquidation of multiple different assets, or the activities relates to a relatively small, miscellaneous asset for which Jenner & Block has not created a specific category.

(c) **Investigation of Third Party Claims (10120) (\$184,786.50 in Fees)**

This category is used to keep time expended relating to researching and analyzing potential claims that the Trustee may be able to pursue against third parties as well as defenses or obstacles that may be interposed to the successful prosecution of such claims. It also includes time spent preparing draft complaints and motions relating to claims the Trustee is considering pursuing. While the Trustee has not yet commenced any adversary proceedings, if and to the extent that he does, Jenner & Block anticipates setting up a setting up separate matters to track time associated with individual adversary proceedings.

(d) **Creditor Communications (10130) (\$46,342.00 in Fees)**

This category includes principally time spent responding to inquiries from individual creditors and investors of the Debtors, as well as time spent in connection with the Chapter 7 committee formed by the Office of the United States Trustee. Including in the latter is the preparation of periodic reports to the members of the committee and attendance at periodic telephone conferences with members of the committee.

(e) **Fee/Employment Applications (10140) (\$65,446.00 in Fees)**

This category includes time spent preparing and prosecuting retention applications for the professionals who have been retained by the Trustee, as well as time spent preparing Jenner & Block's own invoices and fee applications.

(f) **Government Investigation/Enforcement (10150) (\$25,545.00 in Fees)**

This category includes time spent responding to government inquiries. Jenner & Block has assisted the Trustee in being responsive to inquiries from both the Securities and Exchange Commission and the United States Attorney for the District of Minnesota investigating the Petters ponzi scheme that precipitated the Debtors' Chapter 7 filings.

(g) **Subpoenas and Information Requests (10170) (\$758,605.50 in Fees)**

This is the largest single category at this early stage of the proceedings because it is used to keep time spent attempting to gather, organize, manage, review and evaluate information relating to the assets and affairs of the Debtors. Since virtually the commencement of these cases, the Debtors' management companies have been engaged in a rolling production of information to the Trustee. This category includes the time spent setting up electronic document management systems to handle this information, as well as time spent reviewing and organizing this information. This category also includes substantial time spent obtaining information from third parties, including preparing motions for 2004 authority, drafting subpoenas, enforcing subpoenas, managing, reviewing and organizing the materials produced responsive to third party subpoenas, and preparing for and conducting many informal interviews of both employees of the Debtors' management companies and third parties who had dealings with the Debtors.

(h) **Tax Issues (10180) (\$16,738.50 in Fees)**

This liquidation of the Debtors assets after the revelation that the Debtors were heavily invested in a massive ponzi scheme raises complicated and in some cases novel tax issues which are of a great deal of significance to some of the Debtors' investors. This category contains time relating to considering and analyzing the Debtors' tax position and any tax filings the Trustee may make.

(i) **Travel Time (10200) (\$8,252.75 in Fees)**

This category contains time spent traveling to out of town hearings, and meetings and interviews. Time in this category is billed at 50% of customary billing rates.

(j) **Petters Investigation and Litigation (10400) (\$81,219.50 in Fees)**

This category includes time spent monitoring and participating in the Petters proceedings in Minnesota, and working on the preparation of proofs of claim to be filed in those proceedings.

(k) **CarBiz (10700) (\$53,361.50 in Fees)**

This category includes primarily time spent monitoring the Debtors investment in CarBiz as well as time spent analyzing ways of monetizing this investment and time spent negotiating, obtaining court approval for, and consummating the successful sale of this investment.

(l) **Texas Auto Broker (10720) (\$10,484.50 in Fees)**

This category includes primarily time spent monitoring the Debtors investment in Texas Auto Brokers as well as time spent analyzing ways of monetizing this investment and time spent negotiating, obtaining court approval for, and consummating the successful sale of this investment.

(m) **Symco (10740) (\$6,238.00 in Fees)**

This category includes primarily time spent monitoring the Debtors investment in Symco as well as time spent analyzing ways of monetizing this investment and time spent negotiating, obtaining court approval for, and consummating the successful sale of this investment.

(n) **Colossus Capital Fund, L.P. - Claims Administration and Objections**
(10825) (\$5,292.00 in Fees)

This category includes time spent reviewing the secured claim and perfection asserted by Banco Popular against this Debtor, and seeking and obtaining court authority to provisionally pay that claim.

(o) **Lancelot Investors Fund, L.P. - General (10930) (\$12,517.00 in Fees)**

This category includes time spent reviewing the circumstances of, and negotiating with Charter One Bank over, a frozen account held by Charter One Bank in the name of this Debtor.

(p) **Lancelot Investors Fund, Ltd. - General (10940) (\$32,515.00 in Fees)**

This category primarily includes time relating to the parallel proceeding brought in the Grand Court of the Cayman Islands seeking appointment of a Cayman Islands official liquidator for this Debtor. The time billed in this category includes time spent preparing affidavits to be submitted to the Grand Court setting forth the circumstances of the Debtor and the Trustee under United States law, time spent in conferences and negotiations with the proposed official liquidator, and time spent drafting and negotiating a proposed protocol to outline the respective rights and duties of the Trustee and the official liquidator with respect to this Debtor.

(q) **RWB Services LLC - General (10960) (\$10,578.00 in Fees)**

This category includes time spent prosecuting and settling a lawsuit which was being prosecuted by this Debtor prior to the petition date.

(r) **ABL (11000) (\$8,417.00 in Fees)**

This category includes time spent evaluating and attempting to negotiate the redemption of the Debtors' investment in the ABL hedge fund.

(s) **Stark (11027) (\$2,785.50 in Fees)**

This category includes time spent evaluating and attempting to negotiate the redemption of the Debtors' investment in the Stark funds.

THE REQUESTED COMPENSATION SHOULD BE ALLOWED

29. The foregoing professional services rendered during the Application Period were necessary and appropriate to assist the Trustee with the administration of the Cases and were in the best interests of the Debtors. Compensation for the foregoing services as requested is commensurate with the complexity, importance, and nature of the problems, issues, or tasks involved. Jenner has taken significant efforts to ensure that the professional services were performed with expedience and in an efficient manner and without duplication of effort.

30. In preparing this Application, Jenner calculated the amount of time spent by each attorney and paralegal in performing actual and necessary legal services for the Trustee. That data came directly from computer printouts that are kept on each Jenner client. Time entries are kept on daily logs or on computer hard drives. These entries are in turn reported to the firm's main frame computer which produced the time records for this Application. Jenner attorneys have reviewed the computer printouts for errors.

31. The rates charged by Jenner in this case are its standard rates for any bankruptcy matter. The rates charged by Jenner also are consistent with reasonable and customary hourly rates charged by other attorneys throughout the country in matters of similar complexity, scope and national significance.

32. Section 330 provides that a court may award a professional employed under section 327 of the Bankruptcy Code “reasonable compensation for actual necessary services rendered . . . and reimbursement for actual, necessary expenses.” 11 U.S.C. § 330(a)(1). Section 330 also sets forth the criteria for the award of such compensation and reimbursement:

In determining the amount of reasonable compensation to be awarded, the court should 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.

Id. § 330(a)(3).

33. In the instant case, Jenner respectfully submits that the services for which it seeks compensation in this Application were necessary for and beneficial to the Trustee’s efforts in administrating the Debtors’ estates, and necessary to and in the best interests of the Debtors’ estates. Jenner further submits that the compensation requested herein is reasonable in light of the nature, extent, and value of such services provided to the Trustee.

34. In sum, the services rendered by Jenner were necessary and beneficial to the Debtors’ estates, and were consistently performed in a timely manner commensurate with the

