

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

IN RE:)	
)	Chapter 11
)	
ROCKFORD PRODUCTS CORPORATION, <i>et</i>)	Case No. 07 B 71768
<i>al.</i> ,)	Jointly Administered
)	
Debtors)	Hon. Manuel Barbosa

**NOTICE OF FIRST INTERIM APPLICATION OF SILVERMAN CONSULTING FOR
ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF EXPENSES AS
FINANCIAL ADVISORS FOR THE DEBTORS**

TO: Master Service List

PLEASE TAKE NOTICE that at 1:00 p.m. on December 3, 2007, or as soon thereafter as may be heard, the above-captioned Debtors shall appear before the Honorable Manuel Barbosa, Judge of the above-entitled Court, in Courtroom 115, U.S. Federal Court House, 211 South Court Street, Rockford, Illinois 61101, or before any judge sitting in his stead, and present the First Interim Application of Silverman Consulting for Allowance of Compensation and Reimbursement of Expenses as Financial Advisors for the Debtors, which is hereby served upon you.

PLEASE TAKE FURTHER NOTICE that a subsequent notice of hearing will be filed with respect to all professionals in these cases seeking allowance of compensation and reimbursement of expenses and hearing on December 3, 2007.

Respectfully submitted,

Dated: November 20, 2007

By: /s/ Craig R. Graff
Craig R. Graff for Silverman Consulting
SILVERMAN CONSULTING
5750 Old Orchard Road, Suite 520
Skokie, Illinois 60077
Telephone: (847) 470-0200

Financial Advisors to the Debtors

**UNITED STATES BANKRUPTCY COURT
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ROCKFORD PRODUCTS CORPORATION, <i>et al.</i> ,)	Chapter 11
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)	

COVER SHEET FOR APPLICATION FOR PROFESSIONAL COMPENSATION

Name of Applicant:	<u>Silverman Consulting</u>
Authorized to Provide Professional Services to:	<u>Debtors</u>
Date of Order Authorizing Employment:	<u>July 26, 2007</u>
Period for Which Compensation is sought:	<u>July 26, 2007 through October 31, 2007</u>
Amount of Fees sought:	<u>\$619,840.00</u>
Amount of Expense Reimbursement sought:	<u>\$7,012.39</u>
This is an:	Interim Application

This is the Applicant's first interim application.

Pursuant to the Court's Order Pursuant to 11 U.S.C. §§ 105 and 331, Bankruptcy Rule 2016(a) and Local Bankruptcy Rule 5082-1 Establishing Procedures for Interim Compensation of Professionals (Docket No. 68), the aggregate amount of fees and expenses paid to the Applicant to date for services rendered and expenses incurred herein is \$400,000.

Dated: November 20, 2007

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**UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
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In Re:

**ROCKFORD PRODUCTS CORPORATION, et. al.,
Debtors**

)
) **Chapter 11**
) **Case No. 07 B 71768**
)
) **Hon. Manuel Barbosa**

**FIRST INTERIM APPLICATION OF SILVERMAN
CONSULTING FOR ALLOWANCE OF COMPENSATION AND
REIMBURSEMENT OF EXPENSES AS FINANCIAL ADVISORS
FOR THE DEBTORS**

Silverman Consulting (“Silverman”), as financial advisors to debtors Rockford Products Corporation (“Rockford Products”) and Rockford Products Global Services, Inc. (“Rockford Global”) (each a “Debtor” and collectively, the “Debtors”) in the above-captioned cases (the “Cases”), hereby applies (the “First Application”) for interim approval and allowance of fees in the amount of \$619,840.00 and reimbursement of expenses in the amount of \$7,012.39 for the period July 26, 2007 through and including October 31, 2007 (“First Compensation Period”). Silverman further requests that the Court authorize Silverman’s application of all approved fees and expenses, including any hold back amounts, against various payments made by the Debtors (“Carveout Payments”) during the First Interim Application Period pursuant to(i) the Order Pursuant to 11 U.S.C. §§ 105(a) and 331 and 331, Bankruptcy Rule 2016(a) and Local Bankruptcy Rule 5082-1, Establishing Procedures for Interim Compensation of Professionals (Docket No. 68) (“Interim Fee Procedures Order”) and (ii) the Order Authorizing Debtors: (A) to Use Cash Collateral; (B) to Incur Postpetition Debt; and (C) to Grant Adequate Protection and

Provide Security and Other Relief to Bridge Opportunity Finance, LLC and Bride Healthcare Finance, LLC, as amended (Docket No. 121) (“Cash Collateral/Financing Order”).

INTRODUCTION

1. On July 25, 2007, Rockford Products Corporation (“Rockford Products”) and Rockford Global Services, Inc. (“Rockford Global”) each filed a voluntary petition in this Court for reorganization relief under the Bankruptcy Code. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to section 1107(a) and 1108 of the Bankruptcy Code. These chapter 11 cases are being jointly administered.

I. BUSINESS OF THE DEBTORS

2. Originally formed in 1929, Rockford Products manufactures, sources and distributes high quality, cold formed steel components, fasteners and other related products to Tier 1 and 2 suppliers to automobile manufactures (primarily the Big Three domestic automobile manufacturers), the automotive aftermarket and non-automotive customers. Rockford Products also provides added value and services to its customers in the form of precision machining, engineering, heat treating and tool design.

3. At the time of the filing date, Rockford Products’ manufacturing and distribution operations were located in Rockford, Illinois, where Rockford Products leased three facilities with a combined area of 988,000 square feet and had 516 employees. Rockford Products currently has 425 employees (or associates), most of whom live in the Rockford area, with around 350 of those associates being compensated on an hourly basis and 75 associates on salary. In addition to salaries and wages, associates receive health insurance and other benefits.

Most associates also have the right to participate in Rockford Products employee stock ownership plan (“ESOP”), a 401(k) plan and the Rockford Products Corporation Correlated Pension Plan, a defined benefits plan (“Pension Plan”).

4. Annual revenues for Rockford Products amounted to around \$100 million in fiscal 2006. During 2007, prior to the filing date, Rockford Products derived approximately 51% of its sales volume from automotive customers. The remaining 49% of the company’s sales volume came from customers in the construction, appliance, and marine industries.

5. Rockford Products has organized its operations into two operating divisions: the Cold Formed Products Division and the Rockford International Group (“RIG”). Rockford Products’ Steering and Chassis Group, a part of the Cold Formed Products Division, makes the company’s most important products: ball studs, ball pins, brackets and housings, with the manufacture of these components accounting for approximately \$45 million of total Cold Formed revenue of \$76 million. The other principal group within the Cold Formed Products Division, the Engineered Components Group, manufactures track and specially engineered steel components for application in a variety of engine types. The Engineered Components Group accounted for approximately \$31 million of total Cold Formed revenue for fiscal 2006. The second division, RIG, primarily distributes products sourced from overseas suppliers. RIG’s two units, OEM’s and consumer, accounted for approximately \$25 million of fiscal 2006 revenues.

6. Debtor Rockford Global, a wholly-owned subsidiary of Rockford Products, has no operations or business assets other than ownership of one share in Rockford Products de Mexico (“Rockford Mexico”). Rockford Mexico, a non-debtor affiliate, operates a small manufacturing facility in Guadalajara, Mexico. Rockford Products, pre-filing, also maintained

strategic alliances with companies in Germany, Malaysia, and Japan and operated a sales office in Taiwan and a small manufacturing facility in Changzhou in the People's Republic of China.

II. EVENTS LEADING TO THE CHAPTER 11 CASE

7. The primary reason for the instant chapter 11 filings lies in the continuing crisis in the United States automotive industry brought on by foreign competition. As a result of the dramatic decreases in sales and market share of the Big Three domestic automakers, automotive parts suppliers have been subject to increased pricing pressures that have affected their viability. In addition, automakers have demanded increasing amounts of assembly and other integration work at the supplier level, again affecting the suppliers' profitability. These and other problems have forced Delphi, Dura Automotive, Tower Automotive, Collins & Aikman and a number of other Tier 1 and 2 suppliers into bankruptcy. Rockford Products' largest customer, Federal Mogul, filed chapter 11 cases in 2001 due to potential asbestos liabilities, leaving Rockford Products itself with a substantial unpaid receivable. Indeed, since 2000, nineteen of Rockford Products' customers have sought chapter 11 relief.

8. Other factors that contributed to the Rockford Products' bankruptcy filing included price cuts put into place by Rockford Products' Tier 1 and 2 customers, unanticipated steel surcharges, higher energy costs (gas and electric), and legacy costs related to its Pension Plan. The acquisition of Maytag by Whirlpool negatively impacted Rockford Products as Whirlpool had announced and implemented plans to phase out Rockford Products as a supplier.

III. SILVERMAN CONSULTING – FINANCIAL ADVISORS TO THE DEBTORS

9. Silverman Consulting is a Skokie, Illinois based consulting firm serving financially troubled companies nationwide. Over the last 27 years, Silverman has helped engineer the turnaround of more than 525 manufacturing, distribution and service firms – public and privately held businesses from \$5 million to \$500 million in sales. Services fall into two categories – Turnaround Consulting and Management Consulting – but with considerable overlap in disciplines practiced and services provided. The Insolvency practice, part of the Turnaround Consulting group, has had considerable experience in Bankruptcy matters nationwide.

10. Pursuant to 11 U.S.C. Section 330(a) and 331, Bankruptcy Rule 2016, Silverman Consulting hereby submits its first interim application for fees and expenses, for the First Compensation Period in these Chapter 11 cases. For the First Compensation Period, Silverman requests a total award of \$626,852.39, consisting of fees in the amount of \$619,840.00 and reimbursement of ordinary and necessary expenses in the amount of \$7,012.39, which amounts are based upon this First Application and Exhibits A,B,C,D, and E attached hereto, the pleadings, papers and records on file in this case, and any evidence and oral argument which the Court may entertain at the time of the hearing on this First Application.

11. Included in the \$619,840.00 fee amount is \$61,984.00, which represents the 10% professional fee holdback. Silverman Consulting seeks interim allowance and payment of the amounts stated herein, including the 10% holdback on professional fees.

12. Since the Petition Date, and pursuant to the August 8, 2007 order, establishing Interim Fee and Expense reimbursement Procedures for professionals, Silverman Consulting has been paid \$400,000 in respect of the First Compensation Period. On November 15, 2007, this Court approved the sale of the Rockford Products' Cold Formed Products Division which also

established a method of payment for the various professionals in this case including Silverman Consulting. Silverman seeks authority to receive the balance of its unpaid fees and expenses on a pro-rata basis with the other professionals from the funds available under this set aside amount.

IV. APPLICATION OF SILVERMAN CONSULTING

13. An Interim Order was signed by this Court on July 26, 2007, authorizing the Debtors to employ and retain Silverman Consulting as Financial Advisors. On August 13, 2007, the interim order was amended to provide for objections by parties in interest and none were filed. The tasks as represented at that time for Silverman Consulting included the following, among others:

- (a) Develop strategic cash management plans and cash flow forecasts;
- (b) Assist the Debtors in developing the current business plan and financial projections;
- (c) Assist in the coordination of responses to creditor information requests and interfacing with creditors and their financial advisors;
- (d) Assist in identifying key vendors and developing a vendor management plan;
- (e) Attend meetings and assist in discussions with the creditors' committee, the U.S. Trustee, and other interested parties, to the extent requested by Debtors;
- (f) Assist in preparing the Debtors for a sale of all or substantially all of the Debtors' assets;

- (g) Consult with the Debtors on other business matters relating to its chapter 11 reorganization efforts;
- (h) Assisting with the post-petition reporting requirements;
- (i) Assist in preparing financial disclosures required by the court;
- (j) Assist the company's legal counsel, to the extent necessary, with the analysis, development, and revision of the plan of reorganization;
- (k) Assist the Debtors with the plan of reorganization and disclosure statement;
- (l) Preparing the Debtors' statement of financial affairs and bankruptcy filing schedules; and,
- (m) Render such other general business consulting or such other assistance as Debtors' management or counsel may deem necessary that are consistent with the role of a financial advisor and not duplicative of services provided by other professionals in this proceeding.

14. An Interim Order was signed by this Court on August 8, 2007, establishing Interim Fee and Expense reimbursement Procedures for professionals which included Silverman Consulting. Exhibit B attached to that motion outlined the carve-out amounts for Silverman Consulting which totaled \$400,000 in the aggregate, including the pre-petition retainer. As per budgets entered from time to time related to the use of cash collateral, as of October 31, 2007 Silverman was paid the \$400,000.

<u>Date of Payment</u>	<u>Amount</u>
Pre-petition retainer	\$ 150,000
August 15, 2007	\$ 100,000

September 14, 2007	\$	37,500
September 28, 2007	\$	37,500
October 31, 2007	\$	<u>75,000</u>
Total - Filing date to October 31	\$	<u><u>400,000</u></u>

V. SILVERMAN CONSULTING SALES ACTIVITIES

15. One of the primary roles of Silverman Consulting in this matter has been to act as the sole investment banker, in addition to the original task of only assisting in preparing the Debtors' for a sale of all or substantially all of the Debtors' assets. As requested by the Debtors', the preparation role was expanded into a true investment banking role that included assisting the interested parties all the way up to and including a closing. Four consultants have been actively involved in this role which has included from time to time Michael Silverman, Constadinios Tsitsis, and Ryan Perrone and Craig Graff. No performance or success fee was included, thus benefiting the Estate and the work performed by Silverman Consulting in this role was at its normal billing rates for other tasks within this case.

16. As a result of the expanded role related to this task, Silverman materially breached the \$400,000 cap for carve-out fees and expenses and exceeded this aggregate total by \$ 226,852.39 as of October 31, 2007. In addition, due to large section 503(b)(9) reclamation claims, the \$2.5 million secured claim of the Pension Benefit Guarantee Corporation, the stipulated secured claim of UPS, and the loan balance of the DIP lender, this task would have been essentially provided to the Estate for free by Silverman Consulting, due to absolute priority of the waterfall of the sales proceeds. The sales proceeds from the Rockford Products' Cold Formed Products Division sale established a method for the professionals in this case to receive payment from funds available to cover any shortfall over the Court approved carve-outs. Related

to this sale, Silverman Consulting secured a stalking horse buyer before the key customers began to resource their orders to other competitors and also found the successful buyer that will retain over 400 jobs in the Rockford area – this value over a going-dark liquidation being substantially in excess of that estimated value.

17. RIG's two units, OEM's and consumer, which accounted for approximately \$25 million of fiscal 2006 revenues and primarily distributed products sourced from overseas suppliers was sold to two separate buyers in two separate transactions with the assistance of Silverman Consulting. RB Distribution, Inc. purchased the larger consumer portion for \$3,398,472 and Derry Enterprises purchased the OEM piece for approximately \$267,000.

18. Rockford Products' larger division, Cold Formed Products entered into a stalking horse arrangement with Black Eagle Partners, d/b/a Rockford Acquisition, LLC for purposes of the asset purchase agreement ("APA"). The APA was facilitated on Friday, November 2, 2007, after several days of lengthy negotiations, for a gross sales price of \$22.9 million dollars.

19. On November 12, 2007, an auction was held per bid procedures authorized by this Court, and the highest and best bid was determined to be by Rockford Acquisition, LLC after increasing its bid by another \$500,000. On November 15, 2007, this Court approved the sale and on November 16, 2007, the closing took place.

VI. SILVERMAN CONSULTING – OTHER FINANCIAL ADVISOR TASKS

20. Rockford Products' has facilitated the administrative functions of the bankruptcy by preparing budgets as required, the filing of the Bankruptcy Schedules, Statement of Financial Affairs, and Monthly Operating Reports. The payments of U.S. Trustee fees are current through September 30, 2007. Early in the case, a detailed communications plan was implemented with

vendors, the press, employees, and customers with great success. With the industry movement toward strategic partners, the critical vendors for steel and certain critical value-added functions became vital to maintaining the enterprise value for the company. The foreign vendors added another layer of complexity – all of which were maintained through active communication, at times during off hours and on weekends. Consultant, Craig Graff was central to the communications plan, vendor management, and day to day operational issues that arose because of the bankruptcy complexity, including vendor reclamation demands and the new section 503(b)(9) vendor administrative claims.

21. Another task that took on a life of its own was dealing with the concentrated Tier 1 and 2 customers who supply the automobile manufactures (primarily the Big Three domestic automobile manufacturers), the automotive aftermarket and non-automotive customers. As the primary candidate to acquire the Cold Formed Products Division of Rockford Products' suddenly provided notice that they were no longer interested, the customers realized that they might have to resource their parts that they had been historically receiving from Rockford Products' to other suppliers, which resulted in a level of emotion between insecurity and panic. A first attempt was made to create an "access agreement" between the DIP lender and the key customers in order to provide for an orderly wind-down and to limit their possible damage claims from the inability by Rockford Products to provide product to their customers per their contractual terms. This evolved into a face to face meeting in Detroit to attempt to develop a framework for terms and conditions to arrive at an orderly wind-down in the event a new buyer could not get to a closing. Silverman Consulting was requested to prepare a wind-down budget in the event a buyer could not be secured.

22. In connection with rendering professional services during the First Compensation Period, Silverman expended the following amounts of time by its consultants, which is more fully outlined in **EXHIBIT B**, attached as part of this first interim fee application.

<u>Consultant</u>	Billing Rate Per Hr.	Total Hours	% of Total Time	\$ Amount Fees
Michael Silverman (MAS)	\$580	331.00	17%	\$191,980.00
Craig Graff (CRG)	\$380	359.90	18%	\$136,762.00
James Szczepanik (JES)	\$380	10.70	1%	\$4,066.00
Constadinos Tsitsis (CDT)	\$280	716.60	37%	\$200,648.00
Ryan Perrone (RFP)	\$160	539.90	28%	\$86,384.00
Total Due - Gross Fees		1,958.10	100%	\$619,840.00
Total Expenses				\$7,012.39
Total - Gross				\$626,852.39

23. Silverman Consulting maintains detailed daily time records in the ordinary course of its business. These time records are prepared contemporaneously with the rendition of services to a client. These time records set forth the person performing the services, the date such services are rendered, a detailed description of the services, and the length of time spent delivering those services. Silverman has recorded time in this case in increments of 1/10th of an hour. The detailed time records for the reporting periods comprising the First Compensation Period are attached hereto as **EXHIBIT C**.

24. **EXHIBIT B** attached provides a detailed breakdown by billing category by consultant for both hours of services provided and by corresponding dollars billed. Silverman Consulting has broken down its primary categories by the following:

		Hours Rendered	% of Total
1.	Business Analysis and Reports	46.90	2.4%
2.	Meetings / Phone Calls with Creditors and / or the Unsecured Creditors' Committee	63.80	3.3%
3.	Business Operations	955.50	48.8%
4.	Marketing and Sale of Assets	724.20	37.0%
5.	Case Administration	167.70	8.6%
	Totals	1,958.10	100.0%

VII. EXPENSES INCURRED

25. Section 330 of the Bankruptcy Code authorizes “reimbursement for actual and necessary expenses” incurred by the Debtors’ financial advisor. Silverman Consulting incurred \$7,012.39 in actual, reasonable and necessary expenses during this First Compensation Period. In addition, Silverman Consulting only bills for overnight mailing as incurred and absorbs as part of its overhead all billing for copies, faxes, etc. that most other professionals invoice for – thus saving the Estate hundreds of dollars in this matter.

VIII. RETAINER/PRIOR AWARDS

26. Silverman Consulting received a pre-petition retainer from the Debtors' in the amount of \$150,000. Under the Court approved carve-outs, an additional \$250,000 was received for a total amount of funds received from the Debtors' assets of \$400,000. Silverman Consulting has received no previous awards of fees and expenses from the Court in these proceedings. In addition, no agreement or understanding exists between Silverman and any other entity for the sharing of compensation received or to be received for services rendered or in connection with this case.

IX. RELIEF REQUESTED

27. WHEREFORE, based on the foregoing, Silverman Consulting respectfully requests this Court enter its order, substantially in the form attached hereto at **EXHIBIT F**:

- (a) Granting Silverman Consulting an interim allowance of compensation for services rendered in the amount of \$619,840.00 and reimbursement of costs in the amount of \$7,012.39;
- (b) Granting Silverman Consulting the authority to draw from the set aside amounts from the sales proceeds of Rockford Products Cold Formed Products Division to pay its fees and expenses above the carve-out amount of \$400,000 and on the Court approved basis of pro-rata to the other professionals affected by this set aside amount;
- (c) Permitting the application of all retainers held to the fees and expenses requested to be approved by this Court; and

- (d) Granting Silverman such other and further relief as this Court deems just and proper.

Dated November 20, 2007

Respectfully submitted,

By: /s/ Craig R. Graff

Craig R. Graff for Silverman Consulting

SILVERMAN CONSULTING

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