

**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE**

<b>In Re:</b>	)	<b>Chapter 11</b>
	)	
<b>SEA CONTAINERS LTD. <i>et al.</i>,</b>	)	<b>Case No. 06-11156 (KJC)</b>
	)	
<b>Debtors.</b>	)	<b>Jointly Administered</b>

**FEE AUDITOR'S FINAL REPORT REGARDING  
INTERIM FEE APPLICATION OF PRICEWATERHOUSECOOPERS LEGAL, LLP,  
FOR THE SEVENTH INTERIM PERIOD**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Fee Application of PricewaterhouseCoopers Legal, LLP, for the Seventh Interim Period (the "Application").

**BACKGROUND**

1. PricewaterhouseCoopers Legal, LLP ("PwC Legal"), was retained as UK labor and pension attorneys for the Debtors-in-Possession. In the Application, PwC Legal seeks approval of fees totaling \$125,915.29 and costs totaling \$14,794.18 for its services from April 1, 2008, through June 30, 2008 (the "Application Period").

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time and expense entries included in the exhibits to the Application, for compliance with Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2008 (the "Local Rules"), and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, Issued January 30, 1996 (the "Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for

the District of Delaware, and the Third Circuit Court of Appeals. We served on PwC Legal an initial report based on our review, and received a response from PwC Legal, portions of which response are quoted herein.

## **DISCUSSION**

3. PwC Legal’s retention order (docket #493) provides that PwC Legal “shall be entitled to payment of its fees and expenses in the same manner as professionals retained pursuant to the OCP Order” entered at docket #216. That order was subsequently amended by an order entered at docket #596. The Amended OCP Order caps the fees of ordinary-course professionals at \$35,000 per month and \$200,000 for the life of the case. Paragraph (d) on page 3 of the Amended OCP Order provides that if

the fees incurred by any OCP exceed either the Monthly Cap or the Case Cap set forth in clause (a) above, such OCP shall be required to seek this Court’s approval of all postpetition fees in accordance with sections 330 and 331 of the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware, and applicable orders of the Court (including those governing interim compensation of professionals).

PwC Legal has exceeded the \$200,000 Case Cap and, for some months, exceeded the \$35,000 Monthly Cap. Accordingly, PwC Legal has begun filing fee applications in accordance with the orders. We asked PwC Legal to state whether any agreement or order has been entered amending PwC Legal’s case or monthly fee cap in this case, and PwC Legal responded that it was not aware of any such agreement or order.

4. In our initial report, we noted a time entry that appears to consist of non-working travel time billed at the full rate of \$972.15 per hour:

4/15/2008	Louise Inward	1.25	1,215.19	Travel to meeting with Lisa Ashe (Alix Partners) and Richard East (Kirkland & Ellis) and 1990 scheme lawyers
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Local Rule 2016-2(d)(viii) provides that “[t]ravel time during which no work is performed shall be separately described and may be billed at no more than 50% of regular hourly rates.” We asked PwC Legal to explain this entry, or confirm that a 50% reduction is warranted. PwC Legal provided the following response:

There are two time entries for Louise Inward related to the meeting held on 15 April, with a total time spent of 2.5 hours. The descriptions of the time are slightly misleading in that it is not the case that half of the time was spent travelling to the meeting. The offices of Alix Partners are located in central London, like our own offices, and a maximum of 1.0 hours would have been spent travelling to and from the meeting. It is accepted that this one hour of time should have been charged at half rate.

We appreciate this response and recommend a reduction of \$486.08 in fees.

5. We noted eight time entries reflecting a trainee solicitor's performance of an “Email disclosure exercise”:

4/11/2008	Trevor Silverman	1.70	495.80	Email disclosure exercise
4/15/2008	Trevor Silverman	1.10	320.81	Email disclosure exercise
4/16/2008	Trevor Silverman	2.00	583.29	Email disclosure exercise
4/17/2008	Trevor Silverman	1.20	349.97	Email disclosure exercise
4/30/2008	Trevor Silverman	1.00	291.65	Email disclosure exercise
5/6/2008	Trevor Silverman	0.40	116.66	Working on disclosure exercise
5/13/2008	Trevor Silverman	2.00	583.29	Email disclosure exercise
5/13/2008	Trevor Silverman	0.20	58.33	Cont. email disclosure exercise

We were not sure we understood the nature of this activity and asked PwC Legal to provide a further description. PwC Legal provided the following response:

PwC Legal were sent a list of documents required by the SCL committee. We were told by Kirkland & Ellis that this included (i) all emails or other correspondence sent to or received from the trustees of the pension scheme and SCSL committee advisors, and (ii) emails or correspondence to or from SCSL committee or trustee advisors on which we were copied. The entries referred to in this item represent the time spent assembling the response to this request.

We appreciate this response and recommend no reduction in this regard.

6. In our initial report, we noted two expenses for which we requested a further description:

Fees of Messrs. Cheeswrights (Notaries Public)	\$1,584.60 (April)
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Fees of Messrs. Cheeswrights (Notaries Public)	\$511.35 (May)
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We asked PwC Legal to describe the services provided by the Cheeswrights firm. PwC Legal provided the following response:

Cheeswrights is a firm of Notaries Public. We understand that fee applications have to be submitted as notarised documents. Accordingly, on a quarterly basis Cheeswrights are requested to notarise the documents, which involves the appropriate partner of PwC Legal swearing and subscribing the applications in front of a Cheeswrights notary who then signs the documents and binds them as required for the documents to be notarised. They charge a fee for this service.

We appreciate this response. While these fees are considerably higher than the fees charged by notaries in the U.S., we will not recommend a reduction on that basis. However, for future reference, we pointed out to PwC Legal that while it is necessary to notarize affidavits submitted in connection with an employment application, it is not necessary to verify and notarize fee applications.

7. In our initial report, we noted an inadequately detailed charge for professional services paid to a firm engaged by PwC Legal:

Fees of PricewaterhouseCoopers LLP (forensic services)	\$12,560.18
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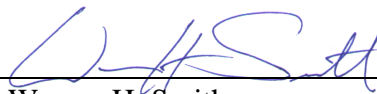
We asked PwC Legal to provide the invoices including time entries reflecting the services provided by these professionals. PwC Legal provided the invoice, which is attached hereto as Response Exhibit 1, and stated, “A copy of the invoice accompanies this response. A detailed time breakdown will follow.” While we appreciate this response, we note that PwC Legal never did provide us with the “detailed time breakdown”. Accordingly, as PwC Legal has not met its burden of proof regarding the reasonableness of these fees, we recommend a reduction of \$12,560.18 in expenses.

## CONCLUSION

8. Thus we recommend approval of fees totaling \$125,429.21 (\$125,915.29 minus \$486.08) and expenses in the amount of \$2,234.00 (\$14,794.18 minus \$12,560.18) for PwC Legal's services from April 1, 2008, through June 30, 2008.

Respectfully submitted,

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


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**FEE AUDITOR**

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served via First-Class United States mail to the attached service list on this 5<sup>th</sup> day of January, 2009.

  
Warren H. Smith

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