

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

In re:

NEUMANN HOMES, INC., et al.,¹

Debtors.

Case Nos. 07-20412 through 07-20417, and
07-21468 through 07-21470
(Jointly Administered)

Chapter 11
Hon. Eugene R. Wedoff
Hearing Date: June 17, 2009
Hearing Time: 10:00 a.m.
Objection Deadline: June 12, 2009

NOTICE OF APPLICATION

PLEASE TAKE NOTICE that on June 17, 2009 at 10:00 a.m. Central Time or, as soon thereafter as counsel may be heard, we shall appear before the Honorable Eugene R. Wedoff in United States Bankruptcy Court for the Northern District of Illinois, Eastern Division, 219 South Dearborn Street, Chicago, Illinois 60604, Courtroom 744 or, in his absence, before such other Judge who may be sitting in his place and stead and hearing bankruptcy motions, at which time and place you may appear as you see fit, and shall then and there present the **Fourth Interim Application of Paul, Hastings, Janofsky & Walker LLP, for Itself and Members of the Creditors Committee, for Allowance of Compensation for Services Rendered and Reimbursement of Expenses for the Period from November 1, 2008 through February 28, 2009** (the "Application").

Dated: Chicago, Illinois
May 5, 2009

/s/ Gregory S. Otsuka
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WALKER LLP
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Attorneys for the Official Committee of
Unsecured Creditors

¹ The Debtors are Neumann Homes, Inc. (EIN: 36-3372185); NDC Fabrications, LLC (EIN: 20-3927889); Neumann Homes of Colorado, LLC (EIN: 30-0016357); Neumann Homes of Wisconsin, LLC (EIN: 13-4233135); New Pro Co., LLC (EIN: 20-3927922); Precision Framing Systems, LLC (EIN: 61-1404308); Neumann Homes of Michigan (EIN: 20-0266804); NHI Sky Ranch, LLC (EIN: 20-2680457); and Sky Ranch, LLC (EIN: 20-2680547).

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**FOURTH INTERIM APPLICATION OF PAUL, HASTINGS, JANOFSKY &
WALKER LLP, FOR ITSELF AND MEMBERS OF THE CREDITORS
COMMITTEE, FOR ALLOWANCE OF COMPENSATION FOR SERVICES
RENDERED AND REIMBURSEMENT OF EXPENSES FOR THE PERIOD
FROM NOVEMBER 1, 2008 THROUGH FEBRUARY 28, 2009**

Name of Applicant:	<u>Paul, Hastings, Janofsky & Walker LLP, for Itself and Members of the Official Committee of Unsecured Creditors</u>
Date of Retention:	<u>Retention Order entered on December 18, 2007; effective as of November 7, 2007 (Docket No. 332)</u>
Authorized to provide professional services to:	<u>The Official Committee of Unsecured Creditors</u>
Period for which compensation and reimbursement are sought:	<u>November 1, 2008 through February 28, 2009</u>
Amount of Compensation sought by Paul Hastings as actual, reasonable, and necessary:	<u>\$155,243.50</u>
Amount of Expense Reimbursement sought by Paul Hastings as actual, reasonable, and necessary:	<u>\$1,819.64</u>
Amount of Expense Reimbursement sought by Committee Members as actual, reasonable, and necessary:	<u>\$0.00</u>

THIS IS AN: INTERIM FINAL APPLICATION

¹ The Debtors are Neumann Homes, Inc. (EIN: 36-3372185); NDC Fabrications, LLC (EIN: 20-3927889); Neumann Homes of Colorado, LLC (EIN: 30-0016357); Neumann Homes of Wisconsin, LLC (EIN: 13-4233135); New Pro Co., LLC (EIN: 20-3927922); Precision Framing Systems, LLC (EIN: 61-1404308); Neumann Homes of Michigan (EIN: 20-0266804); NHI Sky Ranch, LLC (EIN: 20-2680457); and Sky Ranch, LLC (EIN: 20-2680547).

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Paul, Hastings, Janofsky & Walker LLP (“Paul Hastings” or the “Firm”), counsel for the Official Committee of Unsecured Creditors (the “Committee”) in the chapter 11 cases of the above-captioned debtors and debtors in possession (collectively, the “Debtors”), for itself and the members of the Committee, pursuant to sections 330(a) and 331 of title 11, United States Code (the “Bankruptcy Code”) and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), respectfully submits this application (the “Application”) for (a) allowance of compensation for professional services rendered during the period from November 1, 2008 through and including February 28, 2009 (the “Compensation Period”), and (b) reimbursement of the actual and necessary expenses incurred by Paul Hastings during the Compensation Period.

In support of this Application, the Firm respectfully states as follows:

¹ The Debtors are Neumann Homes, Inc. (EIN: 36-3372185); NDC Fabrications, LLC (EIN: 20-3927889); Neumann Homes of Colorado, LLC (EIN: 30-0016357); Neumann Homes of Wisconsin, LLC (EIN: 13-4233135); New Pro Co., LLC (EIN: 20-3927922); Precision Framing Systems, LLC (EIN: 61-1404308); Neumann Homes of Michigan (EIN: 20-0266804); NHI Sky Ranch, LLC (EIN: 20-2680457); and Sky Ranch, LLC (EIN: 20-2680547).

BACKGROUND

1. On November 1, 2007, Neumann Homes, Inc. and five of its subsidiaries and affiliates commenced their respective cases by filing voluntary petitions in this Court for relief under chapter 11 of the Bankruptcy Code. On November 15, 2007, Neumann Homes of Michigan, LLC, NHI Sky Ranch, LLC, and Sky Ranch, LLC each filed a voluntary petition in this Court for relief under chapter 11 of the Bankruptcy Code. The Debtors continue to manage and operate their businesses as debtors in possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code.

2. The Debtors' cases are being jointly administered by the Court.

3. No trustee or examiner has been appointed in the Debtors' chapter 11 cases.

4. The Court has jurisdiction over this Application pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). The statutory predicates for the relief requested herein are §§ 330 and 331 of the Bankruptcy Code.

5. On November 7, 2007, the Office of the United States Trustee (the "U.S. Trustee") appointed the Committee. That same day the Committee selected Paul Hastings as its counsel.

RETENTION OF PAUL HASTINGS

6. On December 18, 2007, the Court entered the "Order Authorizing Official Committee of Unsecured Creditors to Employ Paul, Hastings, Janofsky & Walker LLP as its Counsel, *Nunc Pro Tunc* as of November 7, 2007" (the "Retention Order"), which authorized the Committee to employ the Firm as counsel, effective as of November 7, 2007 (Docket No. 332).

7. The Retention Order authorizes the Debtors and their estates to compensate the Firm at the Firm's hourly rates and to reimburse the Firm and the Committee members for actual and necessary out-of-pocket expenses incurred, upon application to this Court in accordance with the Bankruptcy Code, the Bankruptcy Rules, and the Orders of this Court, including the "Order Under 11 U.S.C. §§ 105(a) and 331 Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals" (Docket No. 202) (the "Interim Compensation Order").

8. Since November 7, 2007, the Firm has represented the Committee in these chapter 11 cases. The Firm performed the services for which it seeks compensation on behalf of the Committee, and not on behalf of the Debtors or other parties in interest.

9. Paul Hastings has not received any payment or promise for payment from any source for services rendered or expenses incurred on the Committee's behalf during the Compensation Period. Under Rule 2016(b), the Firm has not shared, nor agreed to share, (a) any compensation it has received or may receive in these cases with another person or party other than the Firm's partners, of counsel, associates, and other employees, or (b) any compensation another person or party has received or may receive in these cases.

COMPENSATION AND REIMBURSEMENT REQUEST

10. This is the Firm's fourth interim application, for itself and the Committee members, in this case. Pursuant to the Retention Order and the Interim Compensation Order, Paul Hastings respectfully seeks allowance of interim compensation for professional services rendered to the Committee during the Compensation Period in the aggregate amount of \$155,243.50, and for reimbursement of expenses incurred in connection with rendering such services in the aggregate amount of \$1,819.64. During the Compensation Period, Paul Hastings'

attorneys and paraprofessionals expended a total of 279.60 hours for which compensation is requested.

11. The fees charged by Paul Hastings are billed in accordance with its existing billing rates and procedures in effect during the Compensation Period. The rates Paul Hastings charges for the services rendered by its professionals and paraprofessionals in this chapter 11 case are the customary rates Paul Hastings charges for professional and paraprofessional services rendered in comparable nonbankruptcy matters. Such fees are reasonable based on the customary compensation charged by comparably skilled practitioners in comparable nonbankruptcy cases in a competitive national legal market.

12. This Application has been prepared in accordance with the Local Rules of the United States Bankruptcy Court for the Northern District of Illinois and the Interim Compensation Order (together, the "Guidelines"). To the extent necessary, Paul Hastings requests a waiver for cause shown of any Guideline requirement not met by this Application.

13. Attached hereto as Exhibit "A" is a schedule setting forth all Paul Hastings professionals and paraprofessionals who have performed services in this case during the Compensation Period, the capacity in which each such individual is employed by Paul Hastings, the department in which each individual practices, the hourly billing rate charged by Paul Hastings for services performed by such individual, the aggregate number of hours expended in this matter and fees billed therefor, and the year in which each professional was first licensed to practice law. In some cases, there are two billing rates shown, because Paul Hastings' hourly rates were increased during the Compensation Period.

14. Attached hereto as Exhibit "B" is a schedule specifying the categories of expenses for which Paul Hastings seeks reimbursement, and the total amount for each expense category.

15. Attached hereto as Exhibit "C" is a summary of Paul Hastings' services rendered during the Compensation Period, organized by the specific matter addressed.

16. Paul Hastings maintains computerized records in the form of monthly statements of the time spent by all Paul Hastings' attorneys and paraprofessionals in connection with the services rendered on the Committee's behalf during these chapter 11 cases. Attached hereto as Exhibit "D" is a copy of the monthly statements for services rendered during the Compensation Period.

17. To the extent that time or disbursement charges for services rendered or disbursements incurred relate to the Compensation Period, but were not processed prior to the preparation of this Application, Paul Hastings reserves the right to request additional compensation for such services, and reimbursement of such expenses in a future application.

SUMMARY OF SERVICES

18. During the Compensation Period, Paul Hastings rendered professional services in furtherance of the Committee's efforts in this chapter 11 case. The following is a summary of the significant professional services rendered by Paul Hastings during the Compensation Period.

a. Case Administration (73614.00003)

Paul Hastings' professionals and paraprofessionals devoted time to the daily administration of these chapter 11 cases, including, among other things, reviewing and analyzing the various pleadings filed in these cases, responding to inquiries by Committee members regarding such pleadings, maintaining proper service lists, critical date lists, task lists and calendars, and participating in meetings regarding the status of issues in these cases.

b. Court Hearings (73614.00007)

During the Compensation Period, Paul Hastings prepared for and participated in hearings before the Court, including omnibus hearings held on November 12, 2008, November 19, 2008, November 21, 2008, December 10, 2008, December 17, 2008, January 13, 2009, January 21, 2009 and February 18, 2009.

c. Employee Matters (73614.00009)

During the Compensation Period, Paul Hastings analyzed and advised the Committee regarding potential causes of action against former officers of the Debtors and related individuals and entities.

d. Use, Sale, Lease of Assets (73614.00013)

During the Compensation Period, Paul Hastings counseled the Committee on issues relating to a variety of proposed or potential transactions involving the sale of estate assets, including various transactions contemplated with each of the lenders regarding the disposition of the Debtors' developments that serve as the lenders' collateral.

e. Professional Retention / Fee Matters (73614.00014)

During the Compensation Period, Paul Hastings has addressed professional compensation matters and inquiries as required and as they arose. In addition, Paul Hastings prepared and served its third interim fee application in these chapter 11 cases, for itself and the Committee. The third interim fee application included a summary of the services the Firm performed during the period from July 1, 2008 through October 31, 2008, a proposed order, notice, and various supporting exhibits. Paul Hastings also prepared and served its monthly invoices in accordance with the Court's order regarding interim compensation of professionals. Paul Hastings also consulted with the other members of the informal fee review committee regarding the fee applications of retained professionals in these bankruptcy cases.

19. The professional services performed by Paul Hastings on behalf of the Committee during the Compensation Period required an aggregate expenditure of 279.60 recorded hours by Paul Hastings' members, counsel, associates, and paraprofessionals. Of the aggregate time expended, 93.80 recorded hours were expended by partners, 2.50 recorded hours were expended by counsel, 152.60 recorded hours were expended by associates, and 30.70

recorded hours were expended by paraprofessionals. During the Compensation Period, Paul Hastings' hourly billing rates for attorneys ranged from \$405 to \$950 per hour.

ACTUAL AND NECESSARY DISBURSEMENTS OF PAUL HASTINGS

20. As set forth in Exhibit "B" hereto, Paul Hastings has disbursed \$1,819.64, as expenses incurred in providing professional services during the Compensation Period. With respect to photocopying expenses, Paul Hastings customarily charges its clients \$.20 per page. In compliance with the Court's order, however, Paul Hastings reduced its photocopying charges amount to \$.10 per page. With respect to facsimile expenses, Paul Hastings does not charge more than \$1.25 per page. These charges are intended to cover Paul Hastings' direct operating costs, which costs are not incorporated into the Paul Hastings hourly billing rates. Only clients who actually use services of the types set forth in Exhibit "B" are separately charged for such services. The effect of including such expenses as part of the hourly billing rates would impose that cost upon clients who do not require extensive photocopying and other services.

THE REQUESTED COMPENSATION SHOULD BE ALLOWED

21. Section 331 of the Bankruptcy Code provides for interim compensation of professionals and incorporates the substantive standards of section 330 to govern the Court's award of such compensation. 11 U.S.C. § 331. Section 330 of the Bankruptcy Code 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 of the Bankruptcy Code also sets forth the criteria for the award of such compensation and reimbursement:

In determining the amount of reasonable compensation to be awarded to an Examiner, trustee under Chapter 11, or professional person, 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;
- (E) with respect to a professional person, whether the person is board certified or otherwise has demonstrated skill and experience in the bankruptcy field; and
- (F) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

11 U.S.C. § 330(a)(3).

22. Paul Hastings' services were consistently performed in a timely manner. Additionally, whenever possible, Paul Hastings sought to minimize the costs of the Firm's services by utilizing talented junior attorneys and paraprofessionals to handle the more routine aspects of the assignments. A small group of the same Paul Hastings attorneys was utilized for the vast majority of the work in this case, to minimize the costs of intra-Paul Hastings communication and education about the Debtors' circumstances. As a result, the professional services were performed in an expeditious and efficient manner.

23. Paul Hastings respectfully submits that the services for which it seeks compensation were necessary for, and in the best interests of, the Debtors, the estate, the

Committee, and the creditors. Working closely with the Debtors and their counsel, Paul Hastings and the Committee focused on maximizing creditor recovery. Accordingly, Paul Hastings submits that the compensation requested herein is reasonable in light of the nature, extent, and value of the Firm's services to all parties in interest.

24. Based on the foregoing, Paul Hastings respectfully submits that approval of the requested compensation is warranted.

25. No previous request for the relief sought herein has been made to this or any other court.

CONCLUSION

Based on the foregoing, Paul Hastings respectfully requests entry of an order (i) allowing interim compensation for professional services rendered during the Compensation Period in the amount of \$155,243.50; (ii) allowing reimbursement of the actual and necessary expenses that Paul Hastings incurred during the Compensation Period in the amount of \$1,819.64; (iii) allowing such compensation for professional services rendered and

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reimbursement of actual and necessary expenses incurred be without prejudice to Paul Hastings' right to seek, for itself and the Committee, such further compensation for the full value of services performed and expenses incurred; and (iv) granting Paul Hastings such other and further relief as is just.

Dated: Chicago, Illinois
May 5, 2008

/s/ Gregory S. Otsuka
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Creditors