



Stuart Maue's Bankruptcy Services were used to save a discount retailer in excess of \$15 million in legal and professional fees arising out of its bankruptcy proceeding.



**STUART MAUE**  
PREMIER COST MANAGEMENT

# Bankruptcy Services

## Case Study

### Debtor Profile

Kmart Corporation was the third largest discount retailer in the United States, behind Wal-Mart and Target, but the erosion of consumer confidence along with depressed sales led Kmart to file for Chapter 11 bankruptcy in 2002.

### Business Situation

In 2002, Kmart had been struggling with sluggish sales. The retailer was grappling with the ability to discount as deeply as Wal-Mart and struggled to effectively market to the upscale consumer like Target had done. Finally, in January of 2002, after weeks of speculation regarding the company's financial health, Kmart filed for Chapter 11 bankruptcy. At

the time of Kmart's filing, with almost \$17 billion in assets and over \$10 billion in debt, this was the biggest retail bankruptcy in the history of the United States.

As Kmart entered into its bankruptcy proceedings, it was confronted with significant legal and professional charges. The fees would ultimately exceed \$115 million. Kmart management believed the Chapter 11 fees and expenses were excessive. Kmart wanted to proactively monitor the charges in order to control the overall cost of the bankruptcy. In response, the Bankruptcy Judge, working with the U.S. Trustee and management of Kmart, established a Fee Committee

to review and seek reductions of the legal and professional fees and expenses.

### Solution

Based on Stuart Maue's national reputation as a fee examiner in numerous high-profile bankruptcies and its status as the founder of the legal auditing industry, the Fee Committee selected Stuart Maue as its fee examiner. Stuart Maue performed an audit of the legal and professional fees and expenses and provided the members of the Fee Committee with detailed exhibits. These exhibits, which displayed individual billing entries, highlighted those entries not in compliance with bankruptcy court

## Learn more about Stuart Maue's Bankruptcy Services...

### Contact us

To learn more about how Stuart Maue's Bankruptcy Services can save on legal and professional fees associated with a Chapter 11 proceeding, call or e-mail:

John Theil, Managing Attorney  
Bankruptcy Group  
Phone: 314.291.3030 | E-mail: [jtheil@smmj.com](mailto:jtheil@smmj.com)  
-or-  
James P. Quinn, President & Chief Operating Officer  
Phone: 314.291.3030 | E-mail: [jquinn@smmj.com](mailto:jquinn@smmj.com)

**STUART MAUE**  
PREMIER COST MANAGEMENT

3840 McKelvey Road Phone: 800.291.9940  
St. Louis, MO 63044 [www.stuartmaue.com](http://www.stuartmaue.com)



rules, U.S. Trustee guidelines, and other industry standards. After each audit was performed, Stuart Maue supported the Fee Committee in negotiating reductions from the case professionals who submitted the non-compliant fee applications.

## Benefits of Stuart Maue's Bankruptcy Services

Due to the findings uncovered in the audit performed by Stuart Maue, the Fee Committee was able to reduce the professional fees and expenses submitted under the bankruptcy by approximately \$15 million. Kmart and the Fee Committee presented the exhibits as well as the testimony from Stuart Maue's auditors at the negotiations, which resulted in payment of only those fees and expenses that were necessary and reasonable. The audit allowed Kmart and the Fee Committee to better understand the legal and professional costs associated with the billings. Additionally, by relying on the expertise of Stuart Maue, Kmart and the Fee Committee were freed from the bill review process.

### Learn more about Stuart Maue's Bankruptcy Services...

#### Contact us

To learn more about how Stuart Maue's Bankruptcy Services can save on legal and professional fees associated with a Chapter 11 proceeding, call or e-mail:

John Theil, Managing Attorney  
Bankruptcy Group  
Phone: 314.291.3030 | E-mail: [jtheil@smmj.com](mailto:jtheil@smmj.com)  
-or-  
James P. Quinn, President & Chief Operating  
Officer  
Phone: 314.291.3030 | E-mail: [jquinn@smmj.com](mailto:jquinn@smmj.com)

**STUART MAUE**  
PREMIER COST MANAGEMENT

3840 McKelvey Road Phone: 800.291.9940  
St. Louis, MO 63044 [www.stuartmaue.com](http://www.stuartmaue.com)