



Case Study: Bankruptcy Services

Summary

This case study reveals how Stuart Maue's **Bankruptcy Services** were used to save Kmart Corporation in excess of **\$15 million** in legal and professional fees arising out of its bankruptcy proceeding.

Customer Profile

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

Business Situation

In early 2002, Kmart Corporation was the second largest discount retailer in the United States. However, Kmart had been struggling for months 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 \$17 billion in assets, 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 costs. These costs totaled in excess of \$115 million, which Kmart management believed to be excessive. Kmart wanted to proactively monitor the professional fees and expenses in order to control the overall costs of the bankruptcy. In response to the growing concern over these costs, 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 costs.

Benefits

- Stuart Maue saved Kmart **over \$15 million** in legal and professional fees associated with its bankruptcy proceedings.
- The Fee Committee gained a more complete understanding of the professional fees and expenses through the Stuart Maue audit.
- Kmart's staff and the Fee Committee were freed from the bill review process.

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 Review Committee with detailed exhibits. These exhibits, which displayed individual billing entries, highlighted those entries not in compliance with court-established guidelines as well as other billings that were deserving of further review. After the audit was performed, Stuart Maue supported the Fee Committee in negotiating reductions from the case professionals who submitted the noncompliant billing.



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Benefits

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 Examiners presented the exhibits as well as testimony from Stuart Maue's audit at the negotiations which resulted in significantly lowering the amount paid out to the case professionals. 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.

About Stuart Maue

Stuart Maue develops customized cost management solutions for our clients in the areas of *legal cost management, legal bill review audit and analysis, bankruptcy, and vendor invoice review*. Our clients recognize significant savings from our programs as well as gain vital insights into legal and vendor costs. With added pressure to reduce costs and improve their return-on-investment, Stuart Maue can assist clients in gaining a more accurate picture of their spending as well as the performance of their firms and vendors.

For more information about Stuart Maue or our services, call us at: 314.291.3030 or e-mail us at: info@smmj.com.