

Scouler & Company
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Financial Advisor for the Official Committee of Unsecured Creditors

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN RE

CASE NO. 09 B 14267 (BRL)
Chapter 11

CRABTREE & EVELYN, LTD.,

Debtor

**FIRST APPLICATION OF SCOULER & COMPANY, LLC, FOR ALLOWANCE OF
INTERIM COMPENSATION AND REIMBURSEMENT OF EXPENSES INCURRED
FOR THE PERIOD JULY 21, 2009 THROUGH SEPTEMBER 30, 2009**

SUMMARY SHEET

Name of Applicant:	<u>Scouler & Company, LLC</u>
Authorized to Provide Professional Services to:	The Official Committee of Unsecured Creditors
Date of Retention:	August 26, 2009 (effective July 21, 2009)
Period for which Compensation and Reimbursement of Expenses is Sought:	July 21, 2009 – September 30, 2009
Amount of Compensation sought as actual, reasonable and necessary:	<u>\$424,395.00</u>
Amount of Expense Reimbursement sought as actual, reasonable and necessary:	<u>\$19,061.43</u>

Compensation by Professional Summary
(July 21, 2009 - September 30, 2009)

<u>Name of Professional Person</u>	<u>Position</u>	<u>Standard Hourly Billing Rate</u>	<u>Total Hours Billed</u>	<u>Total Fees/Compensation</u>
John Rudd	Principal	600	256.90	\$154,140.00
Kern Gillette	Senior Consultant	450	279.50	\$125,775.00
Alex Strazzella	Senior Consultant	450	266.00	\$119,700.00
Al Kirchhein	Principal	600	65.40	\$39,240.00
Christine Hedge	Consultant	250	62.80	\$15,700.00
Dan Scouler	Managing Principal	695	6.30	\$4,378.50
Gillian Scouler	Professional Staff	150	6.30	\$945.00
 Total			 <u>943.20</u>	 <u>\$459,878.50</u>
 Less application of Blended Hourly Rate of \$450/Hour				 \$(35,483.50)
 Grand Total				 <u><u>\$424,395.00</u></u>

Compensation by Project Category
(July 21, 2009 - September 30, 2009)

<u>Project Category</u>	<u>Total Hours</u>	<u>Total Fees at Blended Hourly Rate</u>
Business Analysis	320.30	\$144,135.00
Proceeds from Waterfall Analysis	91.40	\$41,130.00
Prep for and Attend Committee Meetings/Discussions	85.60	\$38,520.00
Forensic Analysis	80.00	\$36,000.00
Disclosure Statement and Plan of Reorganization	76.80	\$34,560.00
Review and Analysis of Related Party Transactions	75.60	\$34,020.00
DIP Financing	74.00	\$33,300.00
Executory Contracts and Leases	48.90	\$22,005.00
Liquidity Assessment	16.70	\$7,515.00
Travel	70.90	\$31,905.00
Retention and Fee Matters	2.90	\$1,305.00
 Total	 943.10	 \$424,395.00

Expense Summary
(July 21, 2009 - September 30, 2009)

<u>Expense Category</u>	<u>Total Expenses</u>
Airfare	\$8,735.80
Lodging	\$5,117.44
Auto Rental	\$2,046.74
Meals	\$1,327.65
Telecommunications	\$758.97
Taxi	\$590.00
Parking	\$151.70
Train/Amtrak	\$135.50
Car Service	\$94.95
Wireless Access	\$91.43
Tolls	\$11.25
Total	<u><u>\$19,061.43</u></u>

I. INTRODUCTION

A. Compliance with Local Rules and Guides.

B. Summary of Compensation and Expenses Sought.

No prior fee applications have been filed in this case. By way of this Application, the Firm seeks interim allowance and payment of the following fees and expenses:

- I. Fees Sought: \$ 424,395.00
- II. Expenses Sought: \$ 19,061.43
- III. Total Payment Sought: \$ 443,456.43
- IV. Blended Hourly Rate for this Application: \$ 450.00

II. OVERVIEW OF THE CASE

Pursuant to Local Bankruptcy Rule, the Firm hereby incorporates by reference the brief narrative history and discussion of the present posture of the case furnished in the First Application of Hahn & Hessen for Interim Approval of Compensation and Reimbursement of Expenses, filed contemporaneously herewith.

III. NARRATIVE STATEMENT OF SERVICES RENDERED AND TIME EXPENDED

Pursuant to the OUST Guidelines and Local Bankruptcy Rule, the Firm has classified all services performed for which compensation is sought for this period into one of eleven (11) categories. The Firm attempted to place the services performed in the category that best relates to the service provided. However, because certain services may relate to one or more categories, services to one category may in fact be included in another category.

A. Services Performed and Time Expended During the Period Covered by this First Interim Application

1. Business Analysis

The services performed in this category were completed by Mr. Rudd, Mr. Strazzella, Mr. Kirchhein, Mr. Scouler, Ms. Hedge, Mr. Gillette, and Ms. Scouler, all consultants of Scouler & Company, LLC (Scouler) and primarily involved: (1) review of business plans including creation of financial models to run various sensitivity scenarios to determine the operating thresholds of the reorganized Debtor and its necessary capital level and financing required to support operations; (2) review and consulting with management on the impact of store closures, reduction-in-force, corresponding expense reductions, and total optimal store footprint; and collectively the impact on cash flow; (3) advising the Committee on the Debtor's decisions relating to operations issues including operations, manufacturing, inventory management, customers, and landlord communications; (4) Evaluate and monitor the Company's financial position. (5) Evaluate and monitor the company's forecasted liquidity needs. (6) Evaluate the Company's financial statements. In addition to performing analysis, Scouler & Company participated in meetings and dialogue with the representatives of the Debtor to help understand the Debtor's business, case issues and relevant financial information. This served to enable Scouler & Company to perform a variety of tasks and analysis for the benefit of the Committee.

In total the firm expended 320.30 hours accounting for \$144,135.00 on matters related to Business Analysis during the 72 days covered by this Application.

2. Proceeds Waterfall Analysis

The services performed in this category were completed by Mr. Rudd, Mr. Gillette, Mr. Strazzella, Ms. Hedge, and Mr. Kirchhein, all consultants of Scouler & Company, LLC (Scouler) and primarily involved:

Review liquidation scenarios and potential waterfall distributions of proceeds under various scenarios as affected by ranges of recovery from sales of assets, valuation as going concern and expected recovery from sale as such, successful potential 547 actions and debt re-characterization arguments.

Report to and advise the Committee and its counsel regarding the relative probabilities of various potential outcomes.

In total the firm expended 91.40 hours accounting for \$41,130.00 on matters related to Proceeds Waterfall Analysis during the 72 days covered by this Application.

3. Preparation for and attendance of Committee discussions and meetings

The services performed in this category were completed by Mr. Rudd, Mr. Strazzella, Mr. Kirchhein, Ms. Hedge, Mr. Gillette, and Ms. Scouler, all consultants of Scouler & Company, LLC (Scouler) and primarily relate to: (1) preparation and attendance on Committee conference calls and meetings; (2) preparation of bi-weekly reports for the Unsecured Creditor Committee; (3) communication with the Committee's counsel; (4) responding to Unsecured Creditor Committee's information requests. Through this process, Scouler & Company was able to provide the Committee with the necessary information and interact with members of the Committee so they were able to better assess and determine the optimal outcome for the unsecured creditors. Scouler & Company professionals responded to information requests from the Committee's counsel and prepared reports, matrixes and schedules to update the creditors with the Debtor's activities. Scouler & Company professionals closely monitored the Debtor's weekly operating results and developed an efficient process to analyze and distribute the results to the Committee. These tasks were intended to enable the Committee to monitor post-petition operating performance of the Debtor efficiently. Scouler & Company professionals were instrumental in keeping the Committee informed about the Debtor's financial situation and progress.

In total the firm expended 85.60 hours accounting for \$38,520.00 on matters related to Preparation for and attendance of Committee discussions and meetings during the 72 days covered by this application.

4. Forensic Analysis

The services performed in this category were completed by Mr. Strazzella, Mr. Rudd, Ms. Hedge, all consultants of Scouler & Company, LLC (Scouler) and primarily involved:

Meetings and discussions with management and the Debtor's financial advisors regarding the historical operations, management changes, policies, and prior actions taken to improve the performance of the debtor, including cost and headcount reductions.

Review of historical data to understand issues leading up to and precipitating bankruptcy filing, including corporate minutes, bank account statements, written policies, review and understanding of affiliate relationships, review of documents, terms, history and repayment of loans from HSBC.

Review bank statements, loan histories, and other transactions within the 90 days pre-ceding the filing for non-related parties, and within the preceding year for related parties, for potential preference claims.

In total the firm expended 80.0 hours accounting for \$36,000.00 on matters related to Forensic Analysis during the 72 days covered by this Application.

5. Disclosure Statements and Plan of Reorganization

The services performed in this category were completed by Mr. Rudd, Mr. Strazzella, Mr. Kirchhein, Mr. Scouler, Mr. Gillette, and Ms. Scouler, all consultants of Scouler & Company, LLC (Scouler) and related to the Debtor's Plan of Reorganization, viability of its business plan & capital structure, and treatment of the Debtor's creditors, including: (1) financial analysis in order to assess the Debtor's historical and projected performance, the justification for key decisions, and the financial impact to the Committee, (2) participation in numerous calls with the Committee and Committee's counsel, (3) preparation of reports to the Committee summarizing the analysis performed on the Plan's viability, and (4) participation in numerous calls with the Debtor to discuss issues related to operations, cash management, financial projections, asset sales, and various other matters relevant to the bankruptcy proceedings and preparation of the Plan of Reorganization, and (5) analysis of alternatives to the Debtor's Plan and (6), contingency planning.

In total the firm expended 76.80 hours accounting for \$34,560.00 on matters related to Disclosure Statements and Plan of Reorganization during the 72 days covered by this Application.

6. Review and Analysis of related party transactions

The services performed in this category were completed by Mr. Rudd, Mr. Gillette, Mr. Strazzella, all consultants of Scouler & Company, LLC (Scouler) and primarily involved:

Investigation of intercompany transactions between non-debtor parent companies, sales transactions with non-debtor affiliate retail operations, transfer pricing of goods through the various sales channels, review of loan documents and transactions with related party lenders, and determination of potential actions under Section 547.

Comparative review of historical and on-going sales transactions terms, margins, profitability with affiliates vs. similar arms length transactions with third parties, both domestic and overseas. Understand financial impact of the differences on the Debtor and the Debtor's estate as it related to and impacted the unsecured creditors.

Report to and advise the Committee and its counsel regarding the actual affect of the related party transactions on the debtor, the impact on the unsecured creditors'

interests, and accumulate supporting documentation for any potential Section 547 actions.

In total the firm expended 75.60 hours accounting for \$34,020.00 on matters related to Review and Analysis of related party transactions during the 72 days covered by this Application.

7. Cash Collateral and DIP Financing

The services performed in this category were completed by Mr. Rudd, Mr. Strazzella, Mr. Kirchhein, Mr. Scouler, Ms. Hedge, Mr. Gillette, and Ms. Scouler, all consultants of Scouler & Company, LLC (Scouler) and primarily involved: (1) review of Debtor's financial projections, models, analyses, and other documents, to validate estimates of cash generation and cash flow projections; the reasonableness of its assumptions, review of the assets to be pledged as part of financing and review of the lender term sheet; (2) hold discussions with the Debtor's advisors and review and analyze documents, schedules and emails related to DIP financing; (3) advising the Committee on the cash position of the Debtor; (4) Creation of tracking models to measure current performance versus Debtor's multiple iterations of financial projections; and (5) Preparation of charts and other exhibits related to cash generation and cash flow projections, for use in the bi-weekly reporting to the Committee.

Scouler & Company advised and assisted the Committee regarding the assumptions of the financing structure, the adequacy of DIP facility, the risks associated with the financing, the impact of the financing on the success of the Debtor and in bankruptcy and ultimately its Plan. In addition to performing analysis, Scouler & Company participated in meetings and dialogue with the representatives of the Debtor to help understand the Debtor's cash flow projections, case progress and relevant financial information related to cash receipts and disbursements. This served to enable Scouler & Company to perform a variety of tasks and analysis, summarizing voluminous information into concise reporting for the benefit of the Committee.

In total the firm expended 74.0 hours accounting for \$33,300.00 on matters related to DIP Financing during the 72 days covered by this Application.

8. Executory Contracts & Leases

The services performed in this category were completed by Mr. Gillette, Mr. Kirchhein, and Mr. Strazzella, all consultants of Scouler & Company, LLC (Scouler) and primarily involved: (1) preparation of preliminary hypothetical liquidation analyses for the Committee to assess potential recoveries to unsecured creditors in the event of liquidation and store closures; (2) review of store and

corporate leases and the potential claims resulting from lease rejections; and (3) review the impact of Debtor negotiated lease modifications.

In total the firm expended 48.90 hours accounting for \$22,005.00 on matters related to Executory Contracts & Leases during the 72 days covered by this Application.

9. Liquidity Assessment

The services performed in this category were completed by Mr. Rudd, a consultant of Scouler & Company, LLC (Scouler) and primarily involved:

Review sources of cash available, terms of current financing arrangements, adequacy of working capital, and cash flow budget. Report to and advise the Committee and its counsel on the relative short-term stability of the Debtor and its ability to continue operating until a plan of reorganization is proposed.

In total the firm expended 16.70 hours accounting for \$7,515.00 on matters related to Liquidity Assessment during the 72 days covered by this Application.

10. Travel

The services performed in this category were completed by Mr. Rudd, Mr. Gillette, Mr. Strazzella, and Mr. Kirchhein, all consultants of Scouler & Company, LLC (Scouler) and primarily involved:

Travel to and from the Debtor's place of business, and travel to and from meetings with counsel and the Committee.

In total the firm expended 140.80 actual hours, and billed 70.90 hours of travel time, accounting for \$31,905.00 during the 72 days covered by this Application.

11. Retention and Fee Matters

The services performed in this category were completed by Mr. Scouler, Mr. Rudd, Mr. Kirchhein, Mr. Strazzella, and Ms. Scouler, all consultants of Scouler & Company, LLC (Scouler) and primarily involved: (1) conducting conflict checks and an investigation of connections to professionals, creditors, and other parties in interest in order to properly prepare the retention documents of Scouler & Company as required under Bankruptcy Rules, (2) preparing an application, affidavit, engagement letter, and related exhibits as is required under the Bankruptcy Code and the Bankruptcy Rules in order to commence its engagement by the Committee; (3) assembling, reviewing, editing, formatting time and expense details for the First Interim Fee Application and monthly fee statements.

In total the firm expended 2.90 hours accounting for \$1,305.00 on matters related to Retention and Fee Matters during the 72 days covered by this Application.

WHEREFORE, Applicant respectfully requests that the Court enter an order: (a) granting Applicant's requested fees in the amount of **\$424,395.00** and reimbursement of related out-of-pocket expenses in the amount of **\$19,061.43** as first interim compensation for the period of July 21, 2009 through and including September 30, 2009; (b) authorizing and directing the immediate payment to Scouler & Company of the allowed amounts; and (c) granting such other and further relief as the Court deems to be just and proper.

Dated: New York, New York
November 16, 2009

Scouler & Company

By: /s/ Gillian Scouler

Gillian Scouler

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*Financial Advisors for The Official
Committee of Unsecured Creditors*

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re

Case No. 09 B 14267 (BRL)

Chapter 11

CRABTREE & EVELYN, LTD.,

Debtor.

**AFFIDAVIT PURSUANT TO SECTION 504
OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 2016**

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

GILLIAN SOULER, being duly sworn, deposes and says:

1. I am an employee at Scouler & Company, which maintains offices at 445 Park Avenue, New York, New York 10022.

2. This affidavit is submitted in support of the foregoing *First Application of Scouler & Company for Allowance of Interim Compensation and Reimbursement of Expenses Incurred For the Period July 21, 2009 through September 30, 2009* (the "Application") as financial Advisors to the Official Committee of Unsecured Creditors ("Committee") appointed in the chapter 11 case of Crabtree & Evelyn, Ltd., Debtor.

2. I have personally performed many of the services rendered by Scouler & Company and am thoroughly familiar with all other services performed on behalf of the Committee by the professionals in my company.

3. The facts contained in the Application are true and correct to the best of my knowledge, information and belief.

4. The fees and disbursements requested in the Application are in accordance with practices customarily employed by Scouler & Company and generally accepted by Scouler & Company's clients.

5. To the best of my knowledge, information and belief, the Application substantially complies with the Local Rules.


Gillian Scouler

Sworn to before me on
this 16th day of November, 2009

CHERYL TROTMAN
Notary Public, State of New York
Reg. No. 01TR6210626
My Commission Expires 08-24-2013

