

ORDERED.

Dated: September 24, 2020



 Karen S. Jennemann
 United States Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT
 MIDDLE DISTRICT OF FLORIDA
 ORLANDO DIVISION
www.flmb.uscourts.gov

In re)	
)	
RICHERT FUNDING, LLC, as)	Case No. 6:18-bk-06276-KSJ
substantively consolidated with DWIGHT)	Chapter 7
DONALD RICHERT and HOLLY BERRY)	
RICHERT,)	
)	
Debtors.)	
_____)	

ORDER OVERRULING UST’S OBJECTION AND APPROVING GRANT THORNTON LLP’S FINAL APPLICATION FOR COMPENSATION

Grant Thornton, LLP is an accounting firm. In their Final Fee Application,¹ the firm requests \$70,020 for preparing federal tax returns for individual debtors, Dwight and Holly Richert, that got this estate a \$400,000 tax refund. Debtors, all creditors, and the Chapter 7 Trustee

¹ Doc. No. 160, as supplemented by Doc. Nos. 229 and 230.

support payment of Grant Thornton's fees.² Only the United States Trustee objects.³ The objection is overruled. Grant Thornton's Final Fee Application is allowed in full.

A little history will help explain the value of Grant Thornton's services. For years, the firm provided accounting help to Holly and Dwight Richert both individually and to their complex web of closely held corporations, including Richert Funding, LLC. Grant Thornton accountants have a unique understanding of the Richerts' extensive, complex, and interconnected family businesses.

When financial problems arose, Richert Funding, LLC filed the first bankruptcy case on October 11, 2018.⁴ Dwight and Holly Richert separately filed personal bankruptcy cases later.⁵ The Richerts agreed to surrender all their assets, consented to substantively consolidate their personal bankruptcy cases with that of Richert Funding, LLC, and, generally, have cooperated with the Trustee.⁶

After filing their individual bankruptcy cases, Dwight and Holly Richert continued to work with Grant Thornton, who was familiar with their companies and personal finances, to prepare their delinquent federal tax returns. Although the Debtors belatedly requested authorization for this retention,⁷ Grant Thornton completed these returns which resulted in the now substantively

² The Chapter 7 Trustee initially joined in the objection by the United States Trustee (Doc. No. 226). However, at the hearing, held on August 3, 2020, the Chapter 7 Trustee withdrew his objection. The Chapter 7 Trustee stated Grant Thornton was very helpful, had provided all information the Trustee needed in his administration of this case, and obtained a tax refund of approximately \$400,000. He supports payment of all fees requested by Grant Thornton. The Chapter 7 Trustee also opined that, if the estate hired another accounting firm with no prior knowledge of the Debtors' businesses, the estate would have incurred substantially more accounting fees, perhaps exceeding \$150,000.

³ Doc. No. 219.

⁴ Doc. No. 1. Richert Funding, LLC's Chapter 11 case eventually was converted to a Chapter 7 liquidation case on December 28, 2018. Soneet Kapila was elected as the Chapter 7 Trustee. He is charged with gathering assets to liquidate and pay creditor claims.

⁵ Case No. 6:19-bk-00179-KSJ, filed on January 10, 2019. Doc. No. 1.

⁶ Doc. No. 168 in Case No. 6:19-bk-00179-KSJ. Dwight and Holly Richert received discharges of their debts on January 23, 2020. Doc. No. 170 in Case No. 6:19-bk-00179-KSJ.

⁷ Debtor's application to retain Grant Thornton was filed on June 20, 2019. Doc. No. 110 in Case No. 6:19-bk-00179-KSJ. Retention was approved on July 26, 2019. Doc. No. 148 in Case No. 6:19-bk-00179-KSJ. Grant Thornton, however, was working on the tax returns when Dwight and Holly Richert filed their individual bankruptcy case on January 10, 2019. The Court finds this slight delay in retention between January and June 2019 an inadvertent oversight and immaterial.

consolidated Debtors getting a tax refund of approximately \$400,000. The Trustee will use these funds to pay creditor claims.

Grant Thornton now seeks final approval for compensation for services rendered (“Final Application”) between January 10, 2019 and September 25, 2019.⁸ The firm requests fees of \$70,020 for 175.5 hours worked at a blended hourly rate of \$398.97.⁹ The United States Trustee objects on multiple grounds.¹⁰

Section 330(a)(1) of the Bankruptcy Code¹¹ allows the Court to award “reasonable compensation for actual, necessary services” rendered by any professional person and paraprofessionals employed by a trustee.¹² Bankruptcy courts determine reasonableness of compensation under § 330 upon considering the “nature, the extent, and the value of such services, taking into account all relevant factors, including” those listed in § 330(a)(3).¹³ These factors weigh into the court’s lodestar analysis, which calculates the reasonable fee by multiplying the attorney’s reasonable hourly rate by the number of hours reasonably expended.¹⁴ A bankruptcy court can then adjust the lodestar calculation, upward or downward, after considering 12 factors laid out in *Johnson v. Georgia Highway Express, Inc.* and explaining how they affect the award.¹⁵

⁸ Doc. No. 160.

⁹ *Id.* Grant Thornton explained these fees in detail in the supplement to their Final Application. Doc. Nos. 229 and 230.

¹⁰ Doc. No. 219. The Court heard the Trustee’s Objection on August 3, 2020.

¹¹ All references to the Bankruptcy Code refer to 11 U.S.C. §§ 101 *et. seq.*

¹² 11 U.S.C. § 330(a)(1)(A). All references to the Bankruptcy Code refer to 11 U.S.C. § 101, *et. seq.*

¹³ 11 U.S.C. § 330(a)(3)(A)-(F).

¹⁴ *Grant v. George Schumann Tire & Battery Co.*, 908 F.2d 874, 879 (11th Cir. 1990).

¹⁵ 488 F.2d 714 (5th Cir. 1974). The *Johnson* factors are: (1) the time and labor required; (2) the novelty and difficulty of the questions; (3) the skill requisite to perform the legal service properly; (4) the preclusion of other employment by the attorney due to acceptance of the case; (5) the customary fee; (6) whether the fee is fixed or contingent; (7) time limitations imposed by the client or the circumstances; (8) the amount involved and the results obtained; (9) the experience, reputation, and ability of the attorneys; (10) the “undesirability” of the case; (11) the nature and length of the professional relationship with the client; and (12) awards in similar cases. *Johnson*, 488 F.2d at 717-19. Some of the *Johnson* factors overlap with the factors promulgated by § 330(a)(3).

Professionals, for example, must “exclude any excessive, unnecessary, or redundant hours from their fee applications.”¹⁶

The United States Trustee groups its objections into three categories. First, the United States Trustee asserts that Grant Thornton violated Local Rule 2016-1(c). Second, the United States Trustee contends certain fees are excessive, unnecessary, unreasonable, and reflect duplication in work among Grant Thornton professionals. Finally, the United States Trustee questions the reasonableness of Grant Thornton’s hourly rates, ranging from \$210 to \$560, so the blended rate is \$398.97. Considering the positions of all interested parties, the Court finds all fees in the Final Application are reasonable under § 330 of the Bankruptcy Code.

Grant Thornton Complied with Local Rule 2016-1(c)

The United States Trustee contends that Grant Thornton’s Final Application violates various sections of Local Rule 2016-1.¹⁷ The United States Trustee primarily objects to the Final Application because it lacks sufficient descriptive detail to determine if the requested compensation is reasonable and necessary for the services provided. To the extent any deficiencies existed in the Final Application, Grant Thornton cured these deficiencies at the hearing and in its Supplement by including a verification and sufficient detail of its various services.¹⁸

¹⁶ *In re Blue Stone Real Estate*, 487 B.R. 573, 577 (Bankr. M.D. Fla. 2013).

¹⁷ Even though this case is now a Chapter 7 case, Grant Thornton’s services were provided prior to conversion while the Richerts’ bankruptcy case was proceeding under Chapter 11. Local Rule 2016-1(c)(2)(A) states a professional must include a verification that “the fees and costs for which reimbursement is sought are reasonable for the work performed, and that the application is true and accurate.” Local Rule 2016-1(c)(2)(A)(iii) states a professional must detail “the necessity for performing the services, the results obtained, the benefit to the estate, and other information that is not apparent from the activity descriptions.” And Local Rule 2016-1(c)(2)(A)(iv) states activity descriptions in an application cannot lump time together.

¹⁸ See Doc. Nos. 229 and 230.

Grant Thornton's Fees are Reasonable

The United States Trustee objected to several specific time entries in the Final Application because they are excessive, unnecessary, unreasonable, or reflect duplication among Grant Thornton professionals. Here are two examples:

- \$7,140 in fees for 16.5 hours of services provided for “QuickBooks assistance.” The United States Trustee asserts that such fees are excessive for work that could have been performed by a bookkeeper at a lower hourly rate.
- \$35,420 in fees for five professionals to provide 91 hours of “tax compliance services.” The United States Trustee asserts it is unclear whether these services were actual, necessary or of benefit to the estate.

Grant Thornton explained how these and its other services benefitted this estate at the hearing and in its Supplement.¹⁹ On the hours spent on QuickBook entries (16.5 hours), Grant Thornton explained that, although data entry usually is a simple process, in this case it required an accountant to figure out how to book an entry and to identify to which Richert-related company was involved. It was not a simple job of just making routine computer entries. This is a perfect example of how Grant Thornton's experience in working with these Debtors for about 13 years helped to *reduce* the overall cost for accounting services. And the time spent on preparing the complicated federal tax returns (91 hours) benefitted the estate by \$400,000.

The only problematic fees are the services provided for “engagement administrative matters.” Grant Thornton incurred \$8,260 in fees to prepare and review various engagement

¹⁹ Doc. Nos. 229 and 230.

materials, consult with internal legal counsel, and verify there were no conflicts of interests. Grant Thornton contends these services conferred a benefit upon the estate because it allowed Chris Oatis (and his 13 years of experience with the Debtors) to remain employed in this complex matter. Having reviewed Grant Thornton's individual time entries and descriptive detail, the Court finds no issue with the engagement administrative fees. These fees (and the other fees) were reasonable and necessary.

Grant Thornton's Blended Rate is Reasonable

The United States Trustee lastly challenges the blended hourly rate of \$398.97 for Grant Thornton's services. The United States Trustee contends this blended rate exceeds a reasonable average for accountants in the local community with comparable skills, experience, and reputation. Grant Thornton responds the blended rate is reasonable given the complex nature of the accounting services and that it leveraged the work down to the lowest level employee qualified to complete the tasks. Having considered the *Johnson* factors, the Court finds the blended rate of \$398.97 is reasonable for complicated accounting work and reflects the hourly fee offered by Grant Thornton upon engagement.²⁰ Grant Thornton appears to have appropriately distributed its workload among various professionals with hourly rates ranging from \$210 to \$560 depending on the complexity of the task.

In conclusion, the Court finds \$70,020 in fees for Grant Thornton's services reasonable under § 330 of the Bankruptcy Code and approves the Final Application in full without reduction. The Trustee's Objection is overruled. Grant Thornton's services provided substantial value to the estate.

²⁰ See also Doc. No. 190 in Case No. 6:17-bk-00366-KSJ. This blended rate is well within the range of blended fees for professionals this Court typically allows.

Accordingly, it is,

ORDERED:

1. Grant Thornton's Final Application (Doc. No. 160) is **APPROVED**.
2. Grant Thornton is awarded reasonable fees for \$70,020.
3. The United States Trustee's Objection (Doc. No. 219) is **OVERRULED**.

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Attorney Robert Furr is directed to serve a copy of this order on interested parties who are non-CM/ECF users and file a proof of service within 3 days of entry of the order.