

Hearing Date and Time:
October 12, 1999
at 10:00 a.m.

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

----- X
In re: : Chapter 11
: :
CITYSCAPE FINANCIAL CORP., : Case Nos. 98-B-22569 (ASH)
and CITYSCAPE CORP., : and 98-B-22570 (ASH)
: Jointly Administered
Debtors. :
: :
----- X

FIRST AND FINAL APPLICATION OF KPMG LLP FOR
ALLOWANCE OF COMPENSATION AS AUDITORS OF CITYSCAPE FINANCIAL CORP.'S 1998
FINANCIAL STATEMENTS

Name of Applicant: KPMG LLP

Authorized to Provide
Professional Services to: Cityscape Financial Corp. and Cityscape Corp. (Debtors)

Date of Retention: Order entered October 14, 1998 (for services commencing January 15, 1999)

Period for which compensation and
reimbursement is sought: January 15, 1999 through April 16, 1999

Amount of Compensation sought
as actual, reasonable, and necessary: \$231,907.50
(a summary of the professionals providing services is attached hereto as Exhibit A)

Amount of Expense Reimbursement sought
as actual, reasonable and necessary: \$-0-

Cityscape Financial Corp.
Time Summary
January 15, 1999 through April 16, 1999

| Professional | <u>Title</u> | <u>Hours</u> | <u>Rate</u> | <u>Amount</u> |
|-----------------|----------------|---------------|-------------|---------------------|
| John Verdonck | Partner | 58.50 | \$520.00 | \$30,420.00 |
| Pedro Goitia | Partner | 2.00 | \$520.00 | \$1,040.00 |
| Barry Auerbach | Partner | 4.00 | \$520.00 | \$2,080.00 |
| John Regan | Senior Manager | 100.00 | \$445.00 | \$44,500.00 |
| Russel Cammeyer | Senior Manager | 13.50 | \$445.00 | \$6,007.50 |
| Sophie Huisman | Senior | 305.00 | \$245.00 | \$74,725.00 |
| Eric Fedowitz | Staff | 16.00 | \$220.00 | \$3,520.00 |
| Steven Spruck | Staff | 357.00 | \$195.00 | \$69,615.00 |
| | | 856.00 | | \$231,907.50 |

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

STATE OF NEW YORK
COUNTY OF NEW YORK

To the Honorable Adlai S. Hardin, Jr. United States Bankruptcy Judge; To the Debtor and Creditors' Committee Chairperson and their counsels of record, the Office of the United States Trustee and other parties in interest:

The independent public accounting firm KPMG LLP ("KPMG") hereby submits its Application for Approval of Compensation and Reimbursement of Expenses ("Application for Compensation") incurred from January 15, 1999 through April 16, 1999, as Auditors of Cityscape Financial Corp's 1998 Financial Statements. KPMG respectfully represents:

INTRODUCTORY STATEMENT

1. KPMG LLP has provided audit services to the Cityscape since 1995. Professionals from KPMG Financial Services Practice with experience in mortgage banking have provided audit services to Cityscape.

2. On October 6, 1998, Cityscape filed their voluntary Chapter 11 under Title 11 of the United States Code and an order for relief under Chapter 11 was entered simultaneously.

3. By application, Cityscape sought authority to retain KPMG as auditors to render services specified in the Debtors' Application For Order Authorizing the Debtors to Retain, Employ and Compensate KPMG LLP As Certified Public Accountants for the Debtors Nunc Pro Tunc to January 15, 1999. On March 29, 1999, an order, effective as of January 15, 1999 was duly signed and entered by the Honorable Adlai S. Hardin, Jr. United States Bankruptcy Judge, authorizing the retention of KPMG.

4. Detailed Statements itemizing services rendered incurred by KPMG are included in paragraph 10 of this application.

5. This is KPMG's Application for Compensation for professional services rendered and for reimbursement of actual and necessary costs incurred on behalf of the Debtor in connection with annual financial reporting requirements. KPMG makes this application pursuant to the provisions of 11 U.S.C. sections 327 through 331 and Rule 2016 of the Federal Rules of Bankruptcy Procedure, and this Court's Guidelines Pertaining To Requests For Compensation and Expenses By Professionals.

SUMMARY OF SERVICES RENDERED

6. By this Application for Compensation, KPMG seeks approval and payment for compensation for services rendered from January 15, 1999 through April 16, 1999.

7. In rendering the services for which compensation is sought, partners, senior managers, and staff of KPMG spent 856 hours from January 15, 1999 through April 16,

1999. The time charges for such services, computed at KPMG's standard hourly rates is \$231,907.50. These fees represent total costs incurred during this period of \$231,907.50. Paragraphs 10 and 11 of this application provide itemized details as to services performed and breakdown of time spent by professional level.

8. KPMG customarily bills its professionals at rates commensurate with the experience of the person performing such services. The billing rates are the same for bankruptcy engagements as well as all other auditing work performed by KPMG. A list of guideline hourly rate included in KPMG's Employment Application is as follows:

| | |
|--------------------------|-------|
| Engagement partner | \$520 |
| Concurring Partner | \$520 |
| Tax Partner | \$520 |
| Senior Assurance Manager | \$445 |
| Tax Senior Manager | \$445 |
| Supervising Senior | \$245 |
| Staff | \$220 |
| Assistant | \$195 |

9. The compensation KPMG seeks is reasonable and is for actual and necessary services rendered by KPMG. All of the services performed by KPMG have been beneficial to the parties to these proceedings and have enabled Cityscape to meet their reporting requirements.

10. During the period from January 15, 1999 through April 16, 1999, KPMG provided services of a general nature to Cityscape, as set forth below:

| | <u>HOURS</u> | <u>FEE</u> |
|---|--------------|-------------|
| PLANNING | | |
| Prepare for audit fieldwork by determining the critical audit risk objectives through review of preliminary results, meetings with client and review of minutes of the Board of Directors meetings. | 38 | \$14,110.00 |
| GENERAL MATTERS | | |
| Complete KPMG's client acceptance procedures, documentation of our understanding of internal controls; coordinate senior manager, partner and other reviewers of workpapers and financial statements as appropriate; prepare the audit completion memorandum; complete the appropriate audit checklist. | 153 | \$38,185.00 |
| INTEREST ONLY AND RESIDUALS CERTIFICATES | | |
| Review and evaluate the reasonableness of assumptions used by the client in the residuals valuation, including analysis of changes in account balances; recomputed present value computation by independently modeling cash flows. | 52 | \$15,590.00 |

LOANS HELD FOR SALE

Review and evaluate the existence and reasonableness of valuation of loans held for sale and other substantive audit procedures as appropriate to validate the appropriateness of recorded balances and related profit and loss recognition.

| | | |
|--|----|------------|
| | 12 | \$3,490.00 |
|--|----|------------|

DISCONTINUED OPERATIONS

Review the reasonableness of the reevaluation of the carrying value in discontinued operations, based upon the conditions of the completed sale of the UK operations and certain other pending matters.

| | | |
|--|----|------------|
| | 18 | \$6,885.00 |
|--|----|------------|

TECHNOLOGY

Evaluate various Cityscape financial reporting and operating systems for purpose of determining reliance thereon.

| | | |
|--|----|------------|
| | 18 | \$6,710.00 |
|--|----|------------|

TAXES

Review certain Cityscape's provision and reserves for income taxes including tax specialist review on footnote disclosures

| | | |
|--|-------|-------------|
| | 40.50 | \$16,422.50 |
|--|-------|-------------|

OTHER AUDIT PROCEDURES

Review of other general ledger account balances, amounts and perform substantive audit procedures, as appropriate. Such substantive audit procedures included

confirmation of balances with third parties, review of documentation supporting selected transactions, analytical review of account balances, review of subsidiary records, and discussions with management regarding the use of estimates in the financial statements

| | | |
|--|-----|-------------|
| | 214 | \$45,730.00 |
|--|-----|-------------|

REVIEW OF AUDIT WORKPAPERS

In-charge review of the audit workpapers prepared by staff, manager review of workpapers prepared by in-charge accountant. Partner review of workpapers in critical audit areas

| | | |
|--|----|-------------|
| | 44 | \$12,930.00 |
|--|----|-------------|

LITIGATION AND CONTINGENCIES

Review agreements and the legal documents; review debt agreements; draft letter of audit inquiry to outside counsel and review responses, discuss legal matters with general counsel

| | | |
|--|-------|------------|
| | 18.50 | \$5,220.00 |
|--|-------|------------|

FINANCIAL STATEMENTS REVIEW

Review financial statements and related footnotes, agreed to audit workpapers, evaluate completion of disclosures relative to general accepted accounting principles.

| | | |
|--|----|-------------|
| | 76 | \$21,620.00 |
|--|----|-------------|

10-K REVIEW

Read and review the Form 10-K for consistency and compliance with rules and regulations of SEC as they relate to financial reporting

69 \$19,905.00

“UNIFORM SINGLE ATTESTATION PROGRAM FOR MORTGAGE BANKER” (USAP)

Perform procedures as required by USAP and prepare related report.

65 \$15,550.00

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT” (HUD) - PROCEDURES & REPORTS

Perform procedures as required by HUD and prepare related reports.

38 \$9,560.00

TOTAL

856 \$231,907.50

11. The time spent by partners, senior managers and staff of KPMG, from January 15, 1999 through April 16, 1999, in performing the procedures described in paragraph 10.. along with their hourly rates, is presented below:

| | <u>HOURS</u> | AVG RATES | AMOUNT |
|-----------------|---------------|--------------|--------------|
| PARTNERS | 64.50 | \$520 | \$33,540.00 |
| SENIOR MANAGERS | 113.50 | \$445 | \$50,507.50 |
| SENIORS | 305.00 | \$245 | \$74,725.00 |
| STAFF | 16.00 | \$220 | \$3,520.00 |
| ASSISTANT | <u>357.00</u> | <u>\$195</u> | \$69,615.00 |
| TOTAL | <u>856.00</u> | | \$231,907.50 |

12. KPMG's time records are recorded contemporaneously with the rendition of professional services that have been set forth in Exhibit "A" which contains a breakdown of hours incurred by individual in connection with the 1998 audit.

13. Each duty and task performed by KPMG has been performed by the professional most qualified to render such services at his or her ordinary hourly charges.

14. There is no agreement or understanding between KPMG and any other person, other than the members, staff and employees of KPMG, for the sharing of compensation received for services rendered in connection with these proceedings.

15. KPMG's professionals have delegated authority where appropriate to prevent duplication of effort, to ensure that staff were used whenever practicable and to utilize the services of professionals who bill at lower hourly rates as much as practicable.

16. Where more than one person attended a meeting, such attendance was not a duplication of effort, but was necessary to adequately represent the interests of the Creditors, and have the appropriate expertise available.

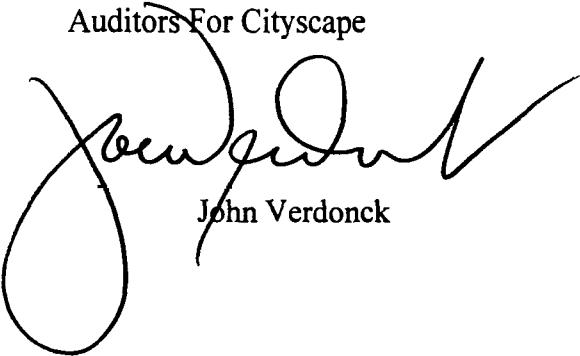
17. For all the reasons set forth in this application, KPMG respectfully submits that the services it has rendered and the disbursements it has incurred in connection with the 1998 audit have been reasonably expended in order for Cityscape to conform with applicable reporting requirements. KPMG submits further that it has provided such services in an economical and efficient manner. Accordingly, KPMG requests that the relief requested in this Application be granted in all respects.

WHEREFORE, KPMG requests that this Court enter its order allowing KPMG fees in the total amount of \$231,907.50.

DATED in New York, New York on this 9th day of June, 1999.

KPMG LLP
757 Third Avenue
10th Floor
New York, New York 10017
Telephone Number: (212) 758-9700
Facsimile Number: (212) 872-3335

Auditors For Cityscape



John Verdonck

Sworn and subscribed to before
me this 9th day of June, 1999


NOTARY PUBLIC

CATHY M. BARNES
Notary Public, State of New York
No. 31-493560
Qualified in New York County
Commission Expires *June 27, 2000*

Exhibit A

Cityscape Financial Corp.
Time Summary
January 15, 1999 through April 16, 1999

| Professional | <u>Title</u> | <u>Hours</u> | <u>Rate</u> | <u>Amount</u> |
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Peat Marwick LLP

PO Box 4406
New York, NY 10261-4406

T I.N. 13-5565207

NEW YORK

Please remit payment to:
KPMG Peat Marwick LLP
P O. Box 4406
New York, NY 10261-4406
TIN: 13-5565207

Invoice **Nº 25631**

June 9, 1999

Cityscape Financial Corp.
585 Taxter Road
Elmsford, NY 10523

Attention: Mr. Timothy Ledwick
Vice President and Chief Financial Officer
PLEASE INDICATE THE INVOICE NUMBER ON YOUR REMITTANCE.

For professional services rendered in connection with our audit
of the Company's 1998 financial statements.

\$231,907.50



Member Firm of
KPMG International