

LATHAM & WATKINS  
885 Third Avenue  
New York, New York 10022  
(212) 906-1200  
Robert J. Rosenberg (RJR 9585)  
A. Brent Truitt (ABT 3799)

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

Counsel for Debtors and Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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In re: : Chapter 11  
: :  
CITYSCAPE FINANCIAL CORP., : Case Nos. 98-B-22569 (ASH)  
and CITYSCAPE CORP., : and 98-B-22570 (ASH)  
: Jointly Administered  
Debtors. :  
: :  
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**FIRST AND FINAL APPLICATION OF LATHAM & WATKINS FOR  
ALLOWANCE OF COMPENSATION AND FOR REIMBURSEMENT OF EXPENSES**

Name of Applicant: Latham & Watkins

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

Date of Retention: Order entered October 23, 1998 (for services commencing October 6, 1998)

Period for which compensation and  
reimbursement is sought: October 6, 1998 - Date of Hearing on this Application

Amount of Compensation sought  
as actual, reasonable, and necessary: \$1,987,688.00\*  
(a summary of the professionals providing services is attached).

Amount of Expense Reimbursement sought  
as actual, reasonable and necessary: \$332,506.97

Blended Hourly Rate (attorneys only): \$281.33

\* This amount reflects an adjustment of \$15,352.00 for fees incurred that Latham & Watkins has decided not to charge to the Debtors. A chart indicating the time that is not being charged to the Debtors is attached as Exhibit "C" to this Application.

<b>Professional And Year Of Bar Admission</b>	<b><u>Position</u></b>	<b><u>Hours</u><sup>1</sup></b>	<b><u>Rate</u><sup>2</sup></b>	<b><u>Amount</u></b>
Robert J. Rosenberg (1971)	Partner (Bankruptcy)	293.20	550.00 (1998 & 1999)	161,260.00
Martin N. Flics (1980)	Partner (Bankruptcy)	15.90	450.00 (1999)	7,155.00
Jed W. Brickner (1993)	Partner (ERISA)	9.40	430.00 (1999)	4,042.00
		15.10	410.00 (1998)	6,191.00
Donald L. Schwartz (1974)	Partner (Finance)	4.50	420.00 (1999)	1,890.00
		5.50	410.00 (1998)	2,255.00
Bryant B. Edwards (1981)	Partner (Corporate)	47.70	410.00 (1998)	19,557.00
James E. Brandt (1983)	Partner (Litigation)	114.70	410.00 (1998)	47,027.00
Kevin C. Blauch (1985)	Partner (Finance)	103.35	405.00 (1999)	41,856.75
		43.00	390.00 (1998)	16,770.00
Samuel R. Weiner (1988)	Partner (Tax)	5.80	370.00 (1999)	2,146.00
A. Brent Truitt (1990)	Partner (Bankruptcy)	915.70	360.00 (1999)	329,652.00
		523.60	340.00 (1998)	178,024.00
Linda S. Schurman (1985)	Partner (Finance)	4.40	345.00 (1999)	1,518.00
Scott O. Bowie (1988)	Partner (Finance)	6.00	330.00 (1999)	1,980.00
Christopher R. Plaut (1989)	Partner (Finance)	54.90	325.00 (1999)	17,842.50
		209.10	310.00 (1998)	64,821.00
Joseph M. Kronsoble (1991)	Partner (Tax)	76.80	310.00 (1999)	23,808.00
		2.30	295.00 (1998)	678.50
Peter M. Gilhuly (1990)	Partner (Bankruptcy)	7.60	300.00 (1998)	2,280.00

<sup>1</sup> Where applicable, hours are broken down to reflect those billed in 1998 and those billed in 1999.

<sup>2</sup> Where applicable, both 1998 and 1999 rates are noted.

<b>Professional And Year Of Bar Admission</b>	<b><u>Position</u></b>	<b><u>Hours</u><sup>1</sup></b>	<b><u>Rate</u><sup>2</sup></b>	<b><u>Amount</u></b>
Josef S. Athanas (1992)	Associate (Finance)	34.00	305.00 (1999)	10,370.00
Deborah L. Goldman (1993)	Associate (Real Estate)	8.80	300.00 (1998)	2,640.00
Hugh L. Burns (1993)	Associate (Litigation)	32.90	300.00 (1999)	9,870.00
		99.70	285.00 (1998)	28,414.50
Regina L. Griffin (1993)	Associate (Litigation)	270.50	285.00 (1998)	77,092.50
Rachael Fink (1995)	Associate (Bankruptcy)	576.40	280.00 (1999)	161,392.00
		442.90	250.00 (1998)	110,725.00
Roland S. Young (1995)	Associate (Bankruptcy)	38.80	280.00 (1999)	10,864.00
		165.50	250.00 (1998)	41,650.00
John B. Ashley (1996)	Associate (Corporate)	50.70	255.00 (1999)	12,928.50
		81.80	225.00 (1998)	18,405.00
Lauren Krasnow (1996)	Associate (Unassigned)	27.40	255.00 (1999)	6,987.00
		10.30	225.00 (1998)	2,317.50
Diane S. Doyle (1997)	Associate (Unassigned)	42.10	230.00 (1999)	9,683.00
John C. Tang (1997)	Associate (Litigation)	104.40	230.00 (1999)	24,012.00
		235.50	200.00 (1998)	47,100.00
Jennifer L. Johnson (1997)	Associate (Unassigned)	40.00	200.00 (1998)	8,000.00
John A. Cartaina (Admission Pending)	Associate (Unassigned)	248.60	175.00 (1999)	43,505.00
		51.50	150.00 (1998)	7,725.00
Nehal Sanghavi (Admission Pending)	Associate (Unassigned)	281.55	175.00 (1999)	49,271.25
		252.90	150.00 (1998)	37,935.00
Sarah A. Hefty (Admission Pending)	Associate (Unassigned)	6.80	175.00 (1999)	1,190.00

<b>Professional And Year Of Bar Admission</b>	<b><u>Position</u></b>	<b><u>Hours</u><sup>1</sup></b>	<b><u>Rate</u><sup>2</sup></b>	<b><u>Amount</u></b>
W. Paul Koenig (Admission Pending)	Associate (Unassigned)	26.10	175.00 (1999)	4,567.50
Westin Lovy (Admission Pending)	Associate (Unassigned)	216.00	175.00 (1999)	37,800.00
		168.50	150.00 (1998)	25,275.00
Martin T. Felli (Admission Pending)	Associate (Unassigned)	30.00	165.00 (1998)	4,950.00
Sara R. Bucholtz (Admission Pending)	Associate (Unassigned)	42.40	165.00 (1998)	6,996.00
Darryl A. Parson (Admission Pending)	Associate (Unassigned)	79.15	150.00 (1998)	11,872.50
Keith B. Sharfman (Admission Pending)	Associate (Unassigned)	51.00	150.00 (1998)	7,650.00
Nicholas Mehler (Admission Pending)	Associate (Unassigned)	112.60	150.00 (1998)	16,890.00
Sue C. Zwick (N/A) (Overtime)	Senior Legal Assistant (Bankruptcy)	46.80	174.00 (1999)	8,143.20
		60.10	168.00 (1998)	10,096.80
		(Standard)	265.30	145.00 (1999)
		266.30	140.00 (1998)	37,282.00
Sharon J. Cole (N/A)	Senior Legal Assistant (Litigation)	11.00	140.00 (1998)	1,540.00
David M. Bava (N/A)	Legal Assistant (Bankruptcy)	248.60	130.00 (1999)	32,318.00
George J. Lofaso (N/A)	Legal Assistant (Corporate)	11.00	115.00 (1999)	1,265.00
Natasha Colton (N/A)	Legal Assistant (Litigation)	11.00	90.00 (1998)	990.00
Octavia L. McCoy (N/A)	Legal Assistant (Bankruptcy)	59.50	95.00 (1999)	5,652.50
		128.30	90.00 (1998)	11,547.00

<b>Professional And Year Of Bar Admission</b>	<b><u>Position</u></b>	<b><u>Hours</u><sup>1</sup></b>	<b><u>Rate</u><sup>2</sup></b>	<b><u>Amount</u></b>
Elizabeth Rodriguez (N/A)	Legal Assistant (Finance )	2.50	95.00 (1999)	237.50
		244.50	90.00 (1998)	22,005.00
Javier S. Delgado (N/A)	Legal Assistant (Litigation)	10.00	85.00 (1998)	850.00
G. Pados (N/A)	Litigation Support Specialist	68.40	75.00 (1998 & 1999)	5,130.00
Barbara A. Micgiel (N/A)	Reference Librarian	11.90	95.00 (1998 & 1999)	1,130.50
<b>Total:</b>		<b><u>7732.55</u></b>		<b><u>\$1,945,488.00</u><sup>3</sup></b>

<sup>3</sup> This total does not include \$42,200.00 in estimated time relating to: finalizing this Application; responding to inquiries regarding, and attending to other administrative matters relating to, fee applications; preparing for and attending the hearing on this Application; and reviewing other professionals' fee applications.

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 Counsel for Debtors and Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT  
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CITYSCAPE FINANCIAL CORP.,	: Case Nos. 98-B-22569 (ASH)
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	: Jointly Administered
Debtors.	: :
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**FIRST AND FINAL APPLICATION OF LATHAM & WATKINS FOR ALLOWANCE OF COMPENSATION AND FOR REIMBURSEMENT OF EXPENSES**

Pursuant to Sections 327, 328 and 330 of title 11 of the United States Code (the “Bankruptcy Code”) and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), the law firm of Latham & Watkins (“L&W”) hereby moves this Court for an order awarding it reasonable compensation for professional legal services rendered as counsel to Cityscape Financial Corp. (“Cityscape”) and Cityscape Corp. (“CSC” and, together with Cityscape, the “Debtors”) in the amount of \$1,987,688.00 together with reimbursement for actual and necessary expenses incurred in the amount of \$332,506.97 for the period commencing October 6, 1998, through and including July 1, 1999 (and beyond July 1, 1999 for services related to fee application preparation and review). In support of this application (the “Application”), L&W respectfully represents as follows:

1. L&W was employed to represent the Debtors as counsel in connection with the Debtors’ chapter 11 cases pursuant to an order entered by this Court on October 14, 1999 (the “Retention

Order”). The Retention Order authorized L&W, as of October 6, 1998 (the “Petition Date”), to be compensated on an hourly basis and to be reimbursed for actual and necessary out-of-pocket expenses.

2. This Application covers the period of October 6, 1998 through and including July 1, 1999, the effective date of the Debtors’ plan of reorganization.<sup>4</sup>

3. As of the Petition Date, as set forth in the Affidavit of Robert J. Rosenberg in support of the Application attached as Exhibit “A” hereto (the “Rosenberg Affidavit”), L&W had received a retainer in the amount of \$500,000 from the Debtors in connection with its representation of the Debtors in these chapter 11 cases (the “Retainer”). In addition, L&W rendered services to the Debtors prior to the Petition Date, for which the Debtors paid L&W prior to the Petition Date. After reconciling the fees earned and expenses incurred by L&W prior to the Petition Date with the payments made by the Debtors to L&W prior to the Petition Date, L&W has discovered that the Debtors overpaid L&W for pre-Petition Date fees and services in the total amount of \$96,775.27 (the “Overpayment”). The Retainer and the Overpayment will be applied to any award of fees and expenses to L&W made by the Court pursuant to this Application.

4. In accordance with Rule 2016 of the Federal Rules of Bankruptcy Procedure, L&W hereby states that (i) all professional services for which compensation is requested by L&W were performed by L&W for or on behalf of the Debtors, (ii) no advances or payments have been heretofore made to L&W for services rendered in connection with these cases other than the Retainer and the Overpayment, and (iii) L&W has not agreed to share with any other entity any compensation to be received by L&W in connection with these cases. L&W has received no payment, and has not been promised any payment, for services rendered in connection with these chapter 11 cases. See Rosenberg Affidavit.

<sup>4</sup> In addition, this Application covers fees earned and expenses incurred after July 1, 1999 solely in connection with preparing this Application and anticipated review of other professionals’ fee applications.

5. In accordance with the Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases (the “Guidelines”), attached as Exhibit “B” is a second affidavit of Robert J. Rosenberg, Esq. Pursuant to the Guidelines for Fees and Disbursements for Professionals.

6. The hourly rates charged by L&W reflect the standard hourly rates charged to clients in matters outside of bankruptcy and are reasonable based on the rates charged by lawyers of comparable skill and experience performing services in similar matters.

7. On or before the 20th day of each month during the pendency of these cases, L&W provided the Debtors with a statement of the fees and expenses incurred for the prior month. In addition, copies of the Application and exhibits thereto have been sent to the reorganized Debtors. L&W respectfully submits that the reorganized Debtors have had ample opportunity to review the fees and expenses requested in the Application and the Application itself and that the reorganized Debtors have not stated any objection to the Application.

#### The Chapter 11 Cases

8. Cityscape and CSC filed their chapter 11 petitions on October 6, 1998, the Petition Date. Simultaneously therewith, Cityscape and CSC filed their Solicitation and Disclosure Statement dated August 28, 1998 (the “Original Disclosure Statement”) and their Joint Plan of Reorganization (the “Original Plan”). Concurrently with the filing of the Original Plan, the Debtors filed a motion seeking to schedule a hearing to approve the Original Disclosure Statement and to confirm the Original Plan. At a hearing on October 7, 1998, this Court scheduled a hearing on approval of the Original Disclosure Statement and confirmation of the Original Plan for November 13, 1998 (the “Confirmation Hearing”). Although the Debtors and other parties with an economic stake in the reorganization anticipated that the Original Plan would be confirmed at the originally scheduled Confirmation Hearing, such hearing had to be adjourned primarily because deteriorating market



conditions prevented the Debtors from consummating agreements for the exit financing necessary under the Original Plan to allow them to emerge from chapter 11. These problems were not unique to the Debtors; indeed, numerous other companies in the industry, including Southern Pacific Funding, Wilshire Financial Services Group and United Companies ended up seeking chapter 11 protection.

9. Specifically, well before the commencement of these cases, L&W had worked with the Debtors to secure the financing required under the Original Plan to allow the Debtors to emerge from chapter 11. Such efforts led to the Debtors' securing a commitment by one of the Debtors' post-petition lenders to provide a portion of such financing, but which portion alone was not sufficient to allow confirmation of the Original Plan. While the Debtors were working to secure the remainder of the required exit financing, and shortly before the originally scheduled Confirmation Hearing, conditions in the mortgage-backed securities market deteriorated to the point where so-called "warehouse" financing (whereby lenders finance the making of mortgage loans by "originators" like the Debtors, with such loans to be "warehoused" by the originators pending their sale or securitization) almost entirely dried up industry-wide. Without the last piece of necessary exit financing, the Debtors were not in a position to seek confirmation of the Original Plan.

10. In light of the Debtors' determination, following discussions with potential lenders regarding post-reorganization "warehouse" financing, that adequate sources of such financing were not available, the Debtors decided on November 17, 1998 to suspend indefinitely all of their loan origination and purchase activities. With no adequate sources of such financing, the Debtors determined that they were unable to continue to originate and purchase mortgage loans. The Debtors notified their brokers that they had ceased funding mortgage loans, other than loans that were in their origination pipeline for which they had issued commitments. On or about December 18, 1998, the Debtors funded the last of the mortgage loans for which they had issued commitments as of November 17, 1998.

11. As a result of the above, the Debtors amended the Original Plan, as reflected in the First Amended Joint Plan of Reorganization (the “Amended Plan”) which was filed with this Court on March 26, 1999. In conjunction with the First Amended Plan, the Debtors filed the First Amended Joint Disclosure Statement Pursuant to Section 1125 of the Bankruptcy Code (the “Amended Disclosure Statement”). With the exception of relatively modest cash payments to be made to priority creditors and certain small claims classes, the distributions to creditors under the Amended Plan were to be made only in the form of common stock of the reorganized company. Thus, consummation of the Amended Plan did not require the Debtors to obtain any exit financing. The Court approved the Amended Disclosure Statement on April 27, 1999. Following overwhelming acceptance of the Amended Plan by all of the classes of creditors entitled to vote, the Court confirmed the Amended Plan by Order dated June 10, 1999. The effective date of the Plan occurred on July 1, 1999.

#### **L&W’S ROLE IN THESE CASES**

12. L&W served as bankruptcy counsel to the Debtors and has acted as lead counsel with respect to all aspects of these chapter 11 cases. At the outset of these cases, L&W sought the Court’s grant of 16 “first-day” orders, designed to facilitate the Debtors’ smooth transition into bankruptcy. Following a hearing held the day after the Petition Date, at which the Debtors faced staunch opposition to virtually all of such motions, the Court granted 14 of the motions; the Debtors withdrew one of the two remaining motions at the hearing and subsequently withdrew the other.

13. At the beginning of these cases, L&W also prepared and filed papers in support of the Debtors’ request for approval of up to \$250 million in debtor-in-possession loans under two facilities from a group of three lenders. In preparation for what turned out to be a hotly contested hearing held only three days after the Petition Date, the Debtors prepared extensive motion papers and prepared live testimony on numerous aspects of the Debtors’ business and the financing sought. In the face of

vigorous opposition, and through L&W's efforts, the Debtors' obtained interim (and later final) approval of the proposed financing.

14. Immediately after obtaining the "first-day" orders and orders approving the debtor-in-possession financing, L&W turned its focus to confirming the Original Plan given that the Court had granted the aggressive confirmation schedule requested by the Debtors -- only 38 days between the Petition Date and the Confirmation Hearing. While no parties in interest with an economic stake in the Debtors' reorganization objected to the approval of the Original Disclosure Statement or confirmation of the Original Plan, the Debtors did receive voluminous objections from out-of-the-money creditors or shareholders (junior preferred shareholders, common shareholders and an alleged creditor who subsequently withdraw all of his claims) and governmental bodies (the U.S. Trustee's Office and the SEC). In response to those objections, L&W prepared an extensive and detailed brief in support of approval of the Original Disclosure Statement and confirmation of the Original Plan, a reply brief and objection-by-objection response to each of the objections raised with respect to the Original Disclosure Statement, a comprehensive memorandum of law in response to objections to confirmation of the Original Plan, and six affidavits as evidence to be introduced at the Confirmation Hearing. In addition, L&W prepared witnesses for testimony to be given at the Confirmation Hearing, prepared the Debtors' objections to document requests received less than a week prior to the Confirmation Hearing and coordinated the Debtors' voluminous document production in response to the requests, and defended three depositions taken during the two days prior to the Confirmation Hearing. Conducting all of such preparation, and coordinating all of such activities proceeding simultaneously and under extremely tight time restraints, required extensive efforts on L&W's part. Despite these challenges, the Debtors were prepared to seek confirmation of the Original Plan at the originally scheduled Confirmation Hearing.

15. Furthermore, leading up to, and culminating on the eve of, the Confirmation Hearing, L&W spearheaded the Debtors' efforts to achieve a settlement of objections to the Original

Plan with the principal objecting parties. At the Confirmation Hearing, the Debtors announced that they had reached an agreement in principle with such parties, which agreement would require additional time to document.

16. Simultaneously with preparing for confirmation, L&W led the Debtors' efforts in responding to the request by Elliott Associates and Westgate International for the appointment of an examiner to investigate and report on certain discrete issues regarding, among other things, the possibility of claims of the Debtors against their officers and directors and certain professionals. Once the Court ordered the appointment of an examiner, L&W worked closely with Gibson, Dunn & Crutcher, the Debtors' longtime litigation and corporate counsel to respond to the examiner's request for information, including the production of numerous witnesses over the course of only a few days. In his report, the examiner ultimately determined that there were no claims of the type investigated that were worthy of pursuit.

17. Unfortunately, deteriorating market conditions prevented the Debtors from ever finalizing exit financing necessary to consummate the Original Plan. Once it became apparent that such financing would not become available, L&W led the efforts to renegotiate certain terms of the Original Plan with the Debtors' key creditor constituencies, represented primarily by the two unofficial committees of bondholders. The goal was to design a plan of reorganization that provided acceptable returns to the various creditor constituencies, but did not require exit financing. While these negotiations were taking place, the Debtors were in the process of selling their inventory of mortgage loans and using the proceeds to pay down their debtor-in-possession loans in full. Such loan sales often required substantial efforts on the part of L&W attorneys to negotiate and document the deals.

18. L&W's efforts to renegotiate certain provisions of the Original Plan culminated in their achieving agreements in principle with each of the unofficial committees of bondholders in the early part of this year. Even before such agreements in principle had been finalized, L&W worked to

revise the Original Plan to reflect anticipated agreements with the unofficial committees, resulting in the Amended Plan, and to prepare a disclosure statement in support of the Amended Plan.

19. On March 26, L&W filed the Amended Plan and Amended Disclosure Statement. In response, the Debtors received extensive objections to the Amended Disclosure Statement from the Office of the United States Trustee. In the week between the receipt of such objections and the hearing on the adequacy of the proposed Amended Disclosure Statement, L&W prepared a detailed chart responding to each objection and amended the proposed Amended Disclosure Statement to reflect such responses. L&W's efforts resulted in a smooth, uncontested disclosure hearing at which the Office of the United States Trustee acknowledged that its objections had been adequately addressed and thanked L&W for its helpful responses. On April 27, 1999, the Court approved the Amended Disclosure Statement as well as detailed voting procedures and ballots prepared by L&W on the Debtors' behalf and authorized the Debtors to solicit acceptances of the Amended Plan.

20. L&W then coordinated efforts by the Debtors and their Court-approved voting agent to ensure that all creditors entitled to vote received ballots, the Amended Plan, the Amended Disclosure Statement and other voting materials on a timely basis.

21. The acceptance by creditors of the Plan was overwhelming. Indeed, each class entitled to cast ballots voted over 90% in claim amount in favor of the Amended Plan. In addition to working with the voting agent to prepare a detailed voting certification to reflect the vote tally, L&W prepared a comprehensive 42-page brief in support of confirmation, outlining the Plan's compliance with each of the standards for plan confirmation, as well as an affidavit in support of confirmation and numerous other documents required to effectuate the Plan. The Office of the U.S. Trustee filed an objection to the Amended Plan (which objection was echoed by the SEC), in response to which L&W prepared an extensive reply brief. After hearing arguments of counsel at the adjourned Confirmation Hearing and after the Debtors made certain modifications to the Amended Plan and proposed

confirmation order in response to the objections, the Court confirmed the Amended Plan by order dated June 10, 1999.

22. Immediately after confirmation, L&W coordinated the efforts of the Debtors, their disbursing agent, the voting agent and others to consummate the transactions contemplated by the Plan, including the distribution of stock and cash to creditors and the preparation and filing of necessary corporate documents to reflect the reorganization of the Debtors. The Debtors declared the Amended Plan effective on July 1, 1999.

23. In addition to the many tasks described above, L&W performed a multitude of other projects on the Debtors' behalf, all of which contributed to the ultimate success of these chapter 11 cases. Such tasks are reflected in the time entries annexed hereto as Exhibit "E" and summarized below.

#### **DIVISION OF RESPONSIBILITIES**

24. In addition to L&W, the Debtors were represented during these cases by Gibson, Dunn & Crutcher ("GD&C"), their special litigation and general corporate counsel. As the Debtors' special litigation and corporate counsel, GD&C focused mainly on class action suits and issues concerning filings with the Securities and Exchange Commission (the "SEC"). GD&C continued to review the Debtors' required public filings with the SEC. To this end, L&W was involved only to the extent of reviewing such filings for bankruptcy-related disclosures. GD&C was involved in bankruptcy issues only to the extent necessary to serve best the Debtors' needs and to address corporate, securities and litigation issues arising in the course of the bankruptcy proceedings. The specific purposes for which the Debtors retained GD&C were (i) to advise the Debtors on matters related to securities law compliance, including without limitation the filing of all reports required under Section 13 of the Securities Exchange Act of 1934, as amended, and other general corporate and financial matters, (ii) to continue the representation of the Debtors with respect to pending securities and contract litigation, and (iii) later, to handle all claims and disputes resulting from the Debtors' business dealings with Wilshire

Financial Services Group, Inc., Wilshire Funding Corporation and certain related affiliates. L&W believes that work was allocated among the two law firms in a manner that eliminated a duplication of effort and provided the best representation possible for the Debtors.

25. For example, with respect to the motion of Elliott Associates and Westgate International for the appointment of an examiner (the “Examiner Motion”), L&W took the lead in responding to the motion. Specifically, L&W drafted the required pleadings, prepared live testimony and other evidence for presentation to the Court, and acted as trial counsel at the hearings on the matter. However, after the examiner was appointed, GD&C, because of its experience and history with the Debtors, took the lead in responding to the examiner’s requests for information.

26. L&W believes that it and GD&C worked together with great success to avoid any unnecessary duplication of effort. L&W believes further that if all of these functions were served by one law firm, the aggregate fees would have been substantially the same.

#### **EXPERIENCE AND QUALIFICATIONS OF COUNSEL AND PARAPROFESSIONALS**

27. The bulk of the work done on behalf of the Debtors was performed by a core group of individuals devoting a substantial amount of their time and efforts to the representation of the Debtors. L&W believes that reliance on a core team, the members of which have been devoted to the representation of the Debtors and have substantial knowledge about the cases and the Debtors’ business (and whose credentials are summarized below), has ensured the efficient provision of high-quality services necessary to protect and represent the Debtors’ interests, and has minimized expenses associated with educating newcomers. On the bankruptcy side, the team was led by Robert J. Rosenberg and A. Brent Truitt who had overall responsibility for these matters. They were assisted by Christopher R. Plaut, Rachael Fink, Roland S. Young, Sue C. Zwick, David M. Bava and Octavia McCoy. On the litigation side, the team was led by James E. Brandt who had overall responsibility for issues relating to

the Examiner Motion and certain other litigation issues and was assisted by Hugh L. Burns, Regina L. Griffin and John C. Tang. In addition, to address adequately the issues that arose concerning confirmation of the Original Plan and approval of the Original Disclosure Statement, the litigation expertise of this group was called upon to assist the core bankruptcy group.

28. From time to time, however, as needed to serve best the Debtors' interests, this core group would call on other members of L&W for their expertise and assistance. For example, in connection with the Debtors' response to objections to confirmation of the Original Plan filed by several parties, additional associates were called on for assistance in research, briefing, responding to document requests, preparing witnesses and preparing for trial.

29. In addition to calling for assistance in emergency situations, the bankruptcy core group required additional assistance regarding certain issues concerning specialized areas of law. To represent the Debtors effectively and efficiently, members of the tax and ERISA groups were called on to answer discrete questions and prepare disclosure as necessary to allow the core team to represent the Debtors adequately in bankruptcy and litigation matters. A brief summary of the experience, reputation and ability of each member of the core team working on behalf of the Debtors follows:

#### Partners

30. Robert J. Rosenberg, a partner of L&W in its New York office, is a member in good standing of the Bar of the State of New York, the United States District Courts for the Southern and Eastern Districts of New York, the United States Court of Appeals for the Second, Third, Fifth and Ninth Circuits and United States Supreme Court. He was an Adjunct Professor at New York University School of Law, where he taught Bankruptcy Reorganization and Business Planning. Mr. Rosenberg was also formerly an Adjunct Professor at Rutgers Law School, and an Assistant Professor at Ohio State University School of Law. He served as official American Bar Association Advisor to the National Conference of Commissioners on Uniform State Laws in its project to draft the new Uniform Fraudulent



Transfer Act. He is a fellow of the American College of Bankruptcy, has been an Associate Conferee of the National Bankruptcy Conference, a member of the A.B.A. Committee on Business Bankruptcy, and served on the New York City Bar Association Committee on Bankruptcy and Reorganization from 1976 to 1978. A prolific author, Mr. Rosenberg's articles and books include *Intercorporate Guarantees and the Law of Fraudulent Conveyances; Lender Beware*, 125 University of Pennsylvania Law Review 235 (1976), and *The Fraudulent Conveyance and Preference Implications of Leveraged Business Acquisitions* (Practicing Law Institute, 1979). He is also a co-author of Matthew Bender's *Collier Forms Manual (2d edition)* and *Collier Bankruptcy Practice Guide* and has chaired several Practicing Law Institute Seminars on aspects of bankruptcy law. In addition, he is the author of the single volume treatise *Collier Lending Institutions and the Bankruptcy Code*. Among many other major representations, Mr. Rosenberg has been counsel to the syndicate of banks which provided the \$2.5 billion "jumbo loan" in the U.S. and Canadian bankruptcy proceedings of Olympia & York, to the "Tranche B" lenders to Memorex Telex, and to Metropolitan Life Insurance Company as secured creditor of Best Products with a claim exceeding \$200 million. He has also done numerous work-outs for Bankers Trust, Credit Lyonnais, Metropolitan Life, Northwestern Mutual Life and Security Pacific Business Credit. He has served as counsel to the Creditors' Committees in the Continental Airlines, MCorp, First Republic Bank and Harvard Industries chapter 11 cases, to Harrah's Entertainment, Inc. in the chapter 11 case of Harrah's Jazz Company and to Musicland in its out-of-court restructuring.

31. A. Brent Truitt, a partner in the New York office of L&W, has been admitted to practice law in the State of New York since 1990, in the District of Columbia since 1991, in the United States District Courts for the Southern and Eastern Districts of New York since 1990, and the United States District Court for the Northern District of New York since 1994. He is a member of the Finance and Real Estate Department and the Insolvency Practice Group at Latham & Watkins. Mr. Truitt's areas of expertise include restructurings and bankruptcy. He represented Harrah's Entertainment, Inc. in the

recently concluded Harrah's Jazz Company chapter 11 case in New Orleans. His past representations include bondholders' committees in the Harvard Industries and New Valley Corporation cases, Musicland in connection with its out-of-court restructuring, and large secured and unsecured creditors (such as General Electric Capital Corporation and Salomon Brothers) in numerous chapter 11 cases and out-of-court restructurings. Along with Mr. Rosenberg, he co-authored an article entitled, "Workouts and Restructurings" for The American Legal Yearbook 1998: Investing in the U.S.A.

32. James E. Brandt is a partner in the litigation department of L&W's New York office. He has handled cases in a wide range of areas, and has focused extensively in cases involving (1) the acquisition and disposition of businesses, including related securities and financial matters, (2) insolvency issues, including matters in the bankruptcy court and (3) commercial matters. Mr. Brandt has been a partner in the firm since January 1, 1990. Mr. Brandt practices regularly in the state and federal courts of New York, but has handled cases in numerous jurisdictions, including, among others, California, Illinois and Florida. He is a member of the American, State and City Bar Associations. He has also spoken and written on topics within his areas of expertise.

33. Christopher R. Plaut is a partner of the Finance and Real Estate Department in the New York office of L&W, where he has practiced for nine years. The core of his practice is the representation of lenders and borrowers in secured lending transactions, including acquisition financings, vendor financings, and debtor-in-possession and working capital facilities. Mr. Plaut also has devoted a portion of his practice to the workout of troubled loans, which has included successful international repossession and foreclosure actions. His clients include large money-center banks, the commercial paper arms of major investment banks and public and privately-held companies. Mr. Plaut also has substantial experience in the acquisition, development and financing of major equipment projects, from traditional power and alternative energy facilities, to pipelines, aircraft, and communication and transportation infrastructure. His clients have included lenders, project sponsors and equipment lessors

and lessees. In connection with his finance and banking practice, Mr. Plaut has developed and automated for his clients sophisticated form transaction documentation, including secured loan agreements and supporting documentation and bridge loan documentation. Before he joined L&W in 1989, Mr. Plaut served for a year as Judicial Clerk to United States District Judge Stanley S. Brotman. He is a member of the New York and District of Columbia Bars. Mr. Plaut is also involved in numerous community activities, including serving as Chairman of the Alumni Fund for the Collegiate School.

#### Associates

34. Hugh L. Burns is an associate in the New York office of Latham & Watkins. Mr. Burns received his J.D. from Fordham University School of Law in 1992. Mr. Burns joined the firm in 1995 after two years with the litigation department of Sullivan & Cromwell. Mr. Burns' practice has concentrated in the areas of domestic and international commercial litigation, securities litigation, and contests for corporate control. Mr. Burns has appeared in several commercial disputes pending in both federal and state court and, more recently, has represented a San Francisco-based client in related litigations pending simultaneously before the California Superior Court, the Supreme Court of England and Wales, and the Royal Court of Jersey, Channel Islands. Mr. Burns also has significant experience with securities litigation, and he co-authored one of the first motions to dismiss a claim under the Private Securities Litigation Reform Act of 1995. Mr. Burns' experience with contests for corporate control includes the successful defense of a Virginia food concern from a hostile tender offer, a defense which resulted in a decision by the Fourth Circuit Court of Appeals upholding the constitutionality of Virginia's anti-takeover legislation. Mr. Burns also has extensive experience with internal investigations, having assisted a former United States Attorney with a four-year investigation into one of New York City's largest construction unions. In connection with that investigation, Mr. Burns has appeared at arbitration hearings and conducted over sixty pre-hearing depositions. Mr. Burns is a member of the Association of

the Bar of the City of New York. His *pro bono* experience includes the representation of a North Carolina death row inmate in state *habeas corpus* proceedings.

35. Regina L. Griffin, an associate in the New York office of L&W, is a graduate of St. John's University and received her J.D. from St. Johns University in 1992. She was a member of the St. John's Law Review and a recipient of the American Jurisprudence Award in Contracts and Constitutional Law. Ms. Griffin was admitted to the New York State Bar in 1993. Since 1993, Ms. Griffin has been engaged primarily in litigation matters.

36. Rachael Fink, an associate in the New York office of L&W, is a graduate of the University of Wisconsin-Madison and received her J.D. *cum laude* from Brooklyn Law School in 1994. From 1994 to 1995, Ms. Fink was law clerk to the Honorable Stephen L. Crocker, United States Magistrate Judge in the Western District of Wisconsin. Ms. Fink is admitted to practice in the State of New York and the United States District Courts for the Eastern and Southern Districts of New York. Ms. Fink has been involved in bankruptcy and restructuring matters since 1995.

37. Roland Young, an associate in the New York office of L&W, is a graduate of the University of Michigan and received his J.D. from Cornell Law School in 1994. Mr. Young is admitted to practice in the State of New York and the District of Columbia. Since 1994, Mr. Young has been engaged primarily in bankruptcy and restructuring matters.

38. John C. Tang, a litigation associate in the New York office of L&W, graduated *cum laude* from Yale College in 1991 and received his J.D. in 1996 from Columbia University School of Law, where he was a Harlan Fiske Stone Scholar. Mr. Tang, who was admitted to the New York Bar in 1997, joined L&W in 1996. From August 1997 to August 1998, Mr. Tang took a leave from the firm to serve as law clerk to the Hon. Edward N. Cahn, then-Chief Judge of the Eastern District of Pennsylvania. At L&W, Mr. Tang's practice has concentrated on commercial litigation. Mr. Tang's *pro bono*

experience includes successfully representing a Chinese national of Tibetan descent in political asylum proceedings before the Immigration and Naturalization Service.

#### Paraprofessionals

39. Paraprofessionals exclusively assigned to the bankruptcy and creditors' rights group at L&W who worked with the L&W attorneys on behalf of the Debtors include David M. Bava, Sue C. Zwick and Octavia McCoy. Mr. Bava is a graduate of Rutgers University. He is a Senior Paralegal in the Finance and Real Estate Department and has been specializing in bankruptcy and restructuring matters since 1987. Ms. Zwick is a graduate of Fairleigh Dickinson University. She was a Senior Paralegal in the Finance and Real Estate Department and has been specializing in bankruptcy and restructuring matters since 1976. In addition, Ms. Zwick served as a legal assistant in the Office of the United States Trustee for the Southern District of New York from July 1980 to January 1982. Ms. Zwick has been a panelist for two years at the Bankruptcy Section of the Practicing Law Institute's Program "Workshops for Legal Assistants." (In April, 1999, Ms. Zwick ceased working as a paralegal and moved to L&W's Records Department). Ms. McCoy is a graduate of Rider College. She has been specializing in bankruptcy matters since 1992.

#### **SUMMARY OF SERVICES RENDERED**

40. Attached hereto as Exhibit "E" is a schedule taken from L&W's computerized billing system setting forth the name of each professional or paraprofessional of L&W who has worked on these chapter 11 cases, together with a detailed description and record of the services rendered by such professional or paraprofessional and the amount of time spent on each date by such individual in rendering services to or on behalf of the Debtors. These services included, among other things, the following:

## General Case Administration<sup>5</sup>

41. Throughout these cases, numerous issues arose on a daily basis pertaining to the general administration of the Debtors' chapter 11 cases. These matters included, among other things: responding to general questions from management and employees of the Debtors concerning compliance with bankruptcy law and rules while running the Debtors' business; ensuring that the United States Trustee requirements were timely met, including reviewing the Debtors' monthly operating reports; and generally responding to the daily legal needs of the Debtors.

42. In addition, throughout the cases, L&W spent a significant amount of time preparing for the various hearings that resulted in relief needed by the Debtors. L&W also prepared the Debtors for and attended the first meeting of creditors and an adjournment thereof.

43. L&W also participated in numerous meetings and conference calls with the Debtors during the cases concerning the various hearings and other pending matters and open issues. These meetings and conference calls served an important purpose by allowing L&W to engage in strategizing sessions with the Debtors concerning the various issues that arose during the cases and to ensure that the cases developed in a manner consistent with the Debtors' desires.

44. In addition, because of the nature and size of these cases, there was a significant number of notices and documents that were required to be served on various parties in the cases and that had to be published. L&W handled the timely completion of the various noticing requirements.

45. L&W worked with the Debtors to prepare their schedules of liabilities and statements of financial affairs (the "Schedules and Statements"). L&W counseled the Debtors on the contents of such Schedules and Statements and reviewed the Schedules and Statements to ensure their

<sup>5</sup> In addition to the general day-to-day administration of these cases, this category contains time for telephone conference calls and meetings in which the participants discussed various different matters and topics and where the time could not easily nor accurately be split into the different matter categories.

compliance with the requirements of the Bankruptcy Rules. On October 31, 1998, the Debtors' Schedules and Statements were filed with the Court.

46. L&W spent approximately 1,117 hours during the cases on general case administration issues for which L&W seeks fees of approximately \$207,509.

#### Business Operations

47. During the Application Period, numerous issues arose concerning the operation of the Debtors' business. Among these were issues concerning employment contracts, real property leases, equipment leases, securitizations and the sale of assets. For example, L&W engaged in extensive negotiations and discussions with numerous landlords and equipment lessors regarding the disposition of their leases in the Debtors' bankruptcy. Such efforts resulted in numerous agreements (with landlords like Mack-Cali Mid-West Realty Associates L.L.C. and equipment lessors like Bank Leumi U.S.A., Heller Financial Inc. and Lyon Credit Corporation) as to damage amounts for those contracts to be rejected and/or amounts to be paid by the Debtors for continued post-petition use of equipment. L&W also prepared the motion papers that were filed with the Bankruptcy Court seeking approval of such assumptions, rejections and agreements.

48. Also included in this category were L&W's substantial efforts in connection with analyzing various complex issues relating to the disposition of massive, contingent claims (asserted in amounts in the hundreds of million of dollars) by trustees under securitizations into which the Debtors had sold mortgage loans (i.e., Harris Bank and U.S. Bank) and the insurers of the certificates issued by such securitization vehicles (i.e., Financial Security Assurance Inc., Financial Guaranty Insurance Company and MBIA Insurance Corporation). Then, L&W spearheaded the Debtors' negotiations with such parties and then prepared, on the Debtors' behalf, the stipulations reflecting settlements with such parties, which stipulations were ultimately approved by the Court.

49. L&W also led the Debtors efforts to sell off much of their mortgage loan inventory during the pendency of these cases. Notably, L&W led the Debtors' negotiations with Corus Bank, N.A. that resulted in the sale of loans to Corus that generated proceeds in excess of \$75 million to the Debtors. L&W also prepared documentation to reflect the sale, various legal opinions requested by Corus and motion papers seeking approval of the sale.

50. L&W spent approximately 692 hours during the cases addressing various operational issues for which it seeks fees of approximately \$219,970.

#### Debtor-in-Possession Financing and Other Bank Issues

51. In connection with the Debtors' two separate debtor-in-possession financing facilities (the "DIP Financing Facilities") with The CIT Group/Equipment Financing, Inc. ("CIT") and Greenwich Capital Financial Products, Inc., an affiliate of Greenwich Capital Markets, Inc. (together with any such affiliates, "Greenwich"), L&W reviewed the credit agreements for various bankruptcy-related issues and participated in various meetings and conference calls when required. In addition, L&W reviewed and drafted comments to the interim and final orders that had been drafted by the lenders' counsel to assure that the Debtors' interests would be protected during the pendency of the cases. This Court approved the DIP Financing Facilities on an interim basis on October 9, 1998 and on a final basis on October 27, 1998. L&W also prepared various legal opinions, schedules to the agreements and other related documents, and conducted necessary due diligence and preparations for closing the transactions under the DIP Financing Facilities. In addition, L&W prepared a witness for the hearing seeking approval of the DIP Financing Facilities and responded to the objections to approval of the DIP Financing Facilities. Throughout the cases, L&W handled all issues that arose with respect to the DIP Financing Facilities, including responding to requests for information from the lenders thereunder. Later in the cases, L&W led the Debtors' efforts in negotiating and documenting modifications and extensions of the DIP Financing Facilities.



52. L&W spent approximately 747 hours during the Application Period on DIP financing and other bank issues for which it seeks fees of approximately \$171,533.

#### Exit Financing

53. Commencing even prior to the Petition Date, the Debtors undertook significant efforts to obtain warehouse financing to be entered into on the effective date of the Original Plan (the “Exit Financing”) which would permit them to repay the DIP Financing Facilities and to operate after the effective date of the Original Plan. L&W worked with the Debtors on such matters using the knowledge of the Debtors and their financing needs gained in connection with the DIP Financing Facilities. In this effort, L&W negotiated extensively with CIT and Greenwich regarding such Exit Financing. As a result of these negotiations, one of the lenders under the DIP Facilities entered into a commitment letter and term sheet to provide the Debtors with Exit Financing. With the Debtors, L&W negotiated the contents of this letter and term sheet. Such efforts entailed lengthy conference calls, revisions to the commitment letter and term sheet proffered by the proposed lender and frequent consultation with the Debtors’ senior officers. However, this proposed Exit Financing alone was not sufficient to meet the Debtors’ needs. Accordingly, L&W also engaged in negotiations with another lender under the DIP Facilities in an effort to obtain additional Exit Financing, but this lender was ultimately unwilling to provide such financing on any terms. In connection with these efforts to obtain Exit Financing, L&W also (i) conducted due diligence regarding the Debtors’ other financing documents to ensure the compatibility of the prospective Exit Financing with such other financing, and (ii) began preparation of documents ancillary to the Exit Financing.

54. L&W spent approximately 118 hours during the cases on Exit Financing for which it seeks fees of approximately \$30,826.

## Motions and General Litigation

55. L&W drafted and filed with the Court numerous motions during the pendency of these cases. These motions included, among numerous others (including many discussed in other sections hereof): motions to approve the rejection of certain contracts and leases (including those relating to both unneeded computer equipment and office space); motions to approve settlements with (i) Ocwen Financial Corporation and (ii) Government Mortgage Corporation, Monument Mortgage Corporation and Atlas Capital Funding, Inc. (both relating to non-Bankruptcy Court litigation) and with Mack-Cali Mid-West Realty Associates L.L.C. (relating to a reduction in the Debtors' lease of office space); a motion seeking approval of Hanover Capital Partners, Ltd. as broker for the Debtors' sale of certain mortgage loans; two motions seeking approval of stay and other bonuses to be paid to the Debtors' senior management and mid-level employees; a motion to extend the Debtors' exclusivity period; and numerous more routine but important motions seeking such things as extensions of the deadline to assume or reject real property leases, extensions of the deadline to remove civil actions, the setting of a bar date, approval of a claims agent, and approval of the retention of various advisors. In addition to preparing the moving papers for each such motion, L&W also prepared whatever evidentiary support (whether it be affidavits or live testimony) was necessary and appropriate for the particular relief being sought. All of such motions were ultimately granted (sometimes as modified) by the Court.

56. L&W's motion practice on the Debtors' behalf was not confined to seeking affirmative relief. That is, L&W also responded on the Debtors' behalf to numerous requests for relief by creditors, landlords and other parties in interest. Where appropriate, L&W also negotiated settlements with the third parties, which were reflected in orders or stipulations submitted to the Court.

57. For example, L&W spent significant amounts of time addressing various issues raised by Financial Security Assurance Inc. and Financial Guaranty Insurance Company, including

preparing a response to their motions to approve a proposed stipulation regarding the disposition of certain agreements relating to securitizations, and negotiating a settlement of one of those motions.

58. In addition, at the outset of these cases, when the Debtors were served with an extensive discovery request by certain affiliates of Jay Botchman, L&W drafted and filed a response on behalf of the Debtors objecting to the relief sought. The Court ultimately denied Mr. Botchman's initial request for a Rule 2004 examination. Later in the case, Mr. Botchman renewed his discovery request. Again, L&W prepared a response on the Debtors' behalf and, later, worked with GD&C to comply voluntarily with the document request, avoiding the need for a lengthy courtroom battle.

59. Other responsive papers prepared and filed on the Debtors' behalf included those relating to requests for payment of administrative claims, among other relief, by the Illinois Municipal Retirement Fund, Newcourt Communications Finance Corp. and Glenn Godsey.

60. L&W spent approximately 1,318 hours during the cases drafting various motions and other pleadings for which it seeks fees of approximately \$323,657.

#### The Examiner Motion

61. On October 7, 1998, Elliott Associates and Westgate International filed the Examiner Motion with the Court. L&W performed numerous tasks, requiring the expenditure of a substantial amount of time, in responding to the Examiner Motion. Chief among these tasks were: (i) conducting legal research concerning the proper interpretation and application of Section 1104(c) of the Bankruptcy Code; (ii) drafting a memorandum of law in opposition to the Examiner Motion; (iii) holding numerous interviews with Steven M. Miller, Cityscape's chief executive officer, relating to various matters implicated by the Examiner Motion; (iv) assisting Mr. Miller in preparing his affidavit in opposition to the Examiner Motion; (v) preparing for an anticipated evidentiary hearing on the Examiner Motion, which required preparing for the direct and cross-examination of Mr. Miller, holding several meetings with Mr. Miller and gathering, reviewing, and assembling documentary exhibits; and

(vi) appearing before the Court for oral argument on the Examiner Motion. In the course of performing the above tasks, L&W necessarily performed several related tasks, such as: (i) engaging in regular communications with the Debtors, opposing counsel and other creditors' counsel; (ii) reviewing the proposed submissions to the Court of other creditors' counsel in opposition to the Examiner Motion; (iii) preparing and reviewing several drafts of all written work; and (iv) holding periodic conferences relative to status and strategy.

62. After an examiner was appointed, the Debtors assisted GD&C in responding to the examiner's requests for information.

63. L&W spent approximately 475 hours during the cases on issues relating to the Examiner Motion (including responding to the examiner's requests for information) for which it seeks fees of approximately \$137,327.

#### Representing the Debtors in Court

64. L&W attended all of the hearings in these cases. For example, L&W prepared and presented all of the "first-day motions" that were filed at the beginning of the cases. Other than two motions that were eventually withdrawn by the Debtors, all of the relief sought in the first day motions was granted. L&W also represented the Debtors at the interim and final hearings on the DIP Financing Facilities where the Court entered interim and final debtor-in-possession financing orders that provided for an aggregate of \$250 million in financing. L&W also represented the Debtors at all hearings relating to the Examiner Motion.

65. In addition to the above referenced hearings, L&W represented the Debtors at hearings on the other motions described herein and represented the Debtors at the adjourned Confirmation Hearing on the Amended Plan. All told, L&W attended approximately 30 hearings in these cases over the course of eight months.

66. L&W spent approximately 103 hours during the cases representing the Debtors in court for which it seeks fees of approximately \$31,907.

#### Preparation for Confirmation Hearing

67. As stated above, the Debtors filed the Original Plan and the Original Disclosure Statement on the first day of these cases and the Court scheduled the Confirmation Hearing for a date 38 days after the Petition Date. While the Original Plan had been accepted by overwhelming majorities of those creditors and shareholders entitled to vote, other than the junior issue of preferred shareholders, numerous parties ultimately filed objections to the Original Plan and Original Disclosure Statement. Certain of such objecting parties (primarily the objecting preferred shareholders) indicated early on in these cases that they intended to object to confirmation of the Original Plan and approval of the Original Disclosure Statement. Thus, in anticipation of what was expected to be a hotly contested Confirmation Hearing and because of the expedited time frame, L&W began to prepare for confirmation on virtually the first day of the cases.

68. This preparation included significant amounts of time researching the issues raised and drafting a response to five sets of objections to the Original Plan and Original Disclosure Statement. Responses prepared by L&W took the form of an extensive memorandum of law responding to each legal objection to confirmation of the Plan and a brief and detailed chart outlining each and every objection to the adequacy of the Original Disclosure Statement, together with the Debtors' item-by-item response to each such objection. In addition, L&W prepared an exhaustive, affirmative brief in support of confirmation of the Original Plan outlining the Original Plan's compliance with each of the confirmation standards set out in the Bankruptcy Code. L&W also prepared six factual affidavits in support of confirmation of the Original Plan and approval of the Original Disclosure Statement to support the Debtors' positions and, to the extent possible, to obviate the need for lengthy live testimony at the Confirmation Hearing. Finally, because the Confirmation Hearing on the Original Plan was

anticipated to be heavily contested, L&W had to coordinate the Debtors' responses to discovery requests from the objecting parties, including producing documents in and preparing three witnesses for, and defending, depositions, all in the space of only four or five days immediately preceding the originally scheduled Confirmation Hearing.

69. Simultaneously, L&W led the Debtors' efforts to negotiate a consensual resolution of the principal objections to confirmation of the Original Plan, which efforts resulted in achieving an agreement in principle with the major objecting parties on the eve of the Confirmation Hearing.

70. As set forth above, once it became clear that the Debtors would not be in a position to finalize arrangements for Exit Financing needed under the Original Plan, L&W set about leading negotiations with the two bondholder constituencies on the terms of an amended plan of reorganization that they would find acceptable, and then documenting those terms in the Amended Plan. Thus, leading up to the hearing on the adequacy of the Amended Disclosure Statement and the adjourned Confirmation Hearing on the Amended Plan, L&W had to: (i) prepare a detailed chart outlining each of the objections to the adequacy of the Amended Disclosure Statement (this time, raised only by the U.S. Trustee's Office) and each of the Debtors' proposed solutions to such objections (which resulted in a consensual disclosure hearing); (ii) prepare a detailed brief in support of confirmation of the Amended Plan; (iii) draft a memorandum of law in response to objections to confirmation of the Amended Plan (this time, raised only by the U.S. Trustee's Office and echoed by the SEC); (iv) work with the Debtors' management to prepare an extensive factual affidavit in support of confirmation of the Amended Plan (again, to obviate the need for lengthy live testimony at the adjourned Confirmation Hearing); (v) design ballots and voting procedures and prepare a motion in support of their approval by the Court; (vi) draft proposed orders approving the Amended Disclosure Statement and confirming the Amended Plan; (vii) work with the Debtors' management to analyze unexpired leases and executory contracts that would

be assumed or rejected pursuant to the Amended Plan; and (viii) supervise the efforts of the Debtors' voting agent to ensure that all creditors entitled to vote on the Amended Plan (including beneficial owners of the Debtors' two issues of bonds) received ballots, the Amended Plan, the Amended Disclosure Statement, voting procedures and related materials in a timely manner.

71. In connection with preparing for both the original and the adjourned Confirmation Hearing, and the hearing on the adequacy of the Amended Disclosure Statement, L&W spent approximately 1,357 hours during the cases for which services L&W seeks fees of approximately \$335,325.

#### Plan Implementation

72. Consummating the Amended Plan required extensive efforts by L&W on the Debtors' behalf, including: (i) preparing the necessary corporate documents, releases and other documents required to effect the transactions contemplated by the Amended Plan; (ii) working closing with, and coordinating the efforts of, the Debtors' management, the Debtors' disbursing agent and the transfer agent and indenture trustees for the Debtors' securities to ensure that appropriate distributions of stock or cash were made to the appropriate bondholders, general unsecured creditors and other parties in interest under the Amended Plan, and (iii) working with the Debtors' management and the reorganized Debtors' new management to help ensure a smooth transition between management teams as the Debtors exited chapter 11. L&W's efforts in this area resulted in the Debtors' declaring the Amended Plan effective on July 1, 1999.

73. In addition, at the outset of these cases, because it was anticipated that the Original Plan would be confirmed and consummated within a relatively short time frame, L&W undertook many of these same tasks with respect to the Original Plan. Once it became clear that the Original Plan would not be confirmed, however, L&W ceased preparing for consummation of the

Original Plan and focused its plan-related efforts on crafting an amended plan of reorganization that would enjoy the support of the Debtors' major creditor constituencies.

74. In connection with preparations for the consummation and implementation of the Original Plan and the Amended Plan, L&W spent approximately 234 hours during the cases for which L&W seeks fees of approximately \$61,161.

#### Plan of Reorganization and Modifications

75. On the eve of the originally scheduled Confirmation Hearing, the Debtors (through L&W) reached an agreement in principle with the major objecting parties on the terms of an amended plan of reorganization that would resolve such parties' confirmation objections. L&W immediately began revising the Original Plan to reflect such agreement in principle. However, it soon became apparent to the Debtors that, because of the unavailability of necessary Exit Financing, the Original Plan, even as revised to reflect such agreement in principle, could not be confirmed. Thus, as set forth above, L&W focused its plan-related efforts on negotiating the terms of a revised plan of reorganization that would be supported by the two unofficial committees of bondholders, and then preparing the Amended Plan and the exhibits thereto and drafting the Amended Disclosure Statement to be used in connection with soliciting acceptances of the Amended Plan. As a result, the Court approved the Amended Disclosure Statement and, on June 10, 1999, the Court confirmed the Amended Plan, which received overwhelming acceptance by each class of creditors entitled to vote.

76. In connection with modifying the Original Plan and preparing the Amended Disclosure Statement, L&W spent approximately 524 hours during the cases for which it seeks fees of approximately \$175,293.



## Securities Law Analysis

77. At the outset of these cases, in contemplation of a swift confirmation of the Original Plan, L&W continued to prepare documents required to consummate the Original Plan and comply with applicable securities laws, including a Form T-3.

78. In addition, shortly after these cases were filed, L&W was contacted by the SEC which had various questions about the Original Plan and the Original Disclosure Statement. In an effort to address these questions and avoid receiving additional objections to confirmation that would require substantial litigation, L&W drafted a detailed letter responding to the substantive issues raised by the SEC and attended a meeting with the SEC's counsel.

79. Also, subsequent to the filing of these chapter 11 cases, the Debtors filed Form 8-Ks with the SEC disclosing the bankruptcy filings and various changes in their business operations. L&W was called upon to review the documents (prepared by GD&C) to confirm the accuracy of statements concerning the bankruptcy cases. In addition, in the normal course of the Debtors' business, they file quarterly reports on Form 10-Q and an annual report on Form 10-k with the SEC. The commencement of the bankruptcy cases necessitated numerous additional disclosures in such reports. L&W played a central role in preparing the sections of the Debtors' SEC filings regarding the effects and status of the bankruptcy cases.

80. L&W spent approximately 74 hours during the cases on securities law issues for which it seeks fees of approximately \$25,630.

## Tax Analysis and Disclosure

81. During the cases, a limited number of tax-related issues arose on which the Debtors sought the advice of L&W. In addition, L&W's attorneys with expertise in tax law were called upon to analyze tax issues relating to the Amended Plan and to prepare the disclosure regarding tax ramifications of the Amended Plan for the Amended Disclosure Statement. L&W spent approximately

156 hours during the cases addressing these tax matters and preparing tax disclosure for which it seeks fees of approximately \$41,967.

#### ERISA and Employee Benefits

82. During the cases, L&W advised the Debtors regarding various employment-related matters, including those regarding the obligations of the Debtors under certain employment agreements and benefit plans. L&W also prepared new and revised employment agreements on behalf of the Debtors for certain of the Debtors' senior managers during the pendency of these cases. L&W spent approximately 85 hours during the cases on ERISA and employee benefits-related matters for which it seeks fees of approximately \$23,967.

#### Creditor and Press Inquiries

83. L&W spent a good deal of time responding to correspondence and numerous calls from creditors and other interested parties concerning the status of these cases. In addition, L&W devoted time to responding to inquiries from the press during the cases. L&W spent approximately 106 hours during the cases on such matters for which it seeks fees of approximately \$21,072.

#### Fee Application Preparation

84. Throughout these cases, L&W organized, verified, and prepared supporting materials annexed to this Application and, more recently, prepared this Application. Such services included preparing and reviewing the computerized time sheet runs and expense records which support the fees and expenses requested by L&W. L&W made every effort to minimize the expense of complying with the detailed requirements of the Bankruptcy Code, Bankruptcy Rules, United States Trustee Guidelines and the local rules of this Court. Because of the nature of these cases and based on the requirements of the United States Trustee, L&W opened 18 different matter categories which required significant amounts of additional time to review during the normal review process. Whenever

possible, L&W relied on paraprofessional and clerical staff to undertake the extensive efforts necessary to produce the accurate and well documented fee and expense statements that this Court expects. L&W submits that such time was reasonable and necessary to provide the Debtors, the Court and all parties-in-interest with the level of detail and accuracy with respect to requests for professional compensation required by the Bankruptcy Code, Bankruptcy Rules, United States Trustee Guidelines and the local rules of this Court.

85. L&W spent (or anticipates spending) approximately 441 hours during the cases on such matters for which L&W seeks fees of approximately \$91,483.<sup>6</sup>

#### Fee Application Review

86. On November 23, 1998, both the examiner and the examiner's counsel filed applications for compensation. L&W reviewed such applications on behalf of the Debtors. In addition, in furtherance of the Debtors' duties to review fee applications filed by all professionals, L&W expects to review, at a minimum, applications to be filed by the Debtors' accountants (KMPG Peat Marwick), restructuring consultants (Jay Alix & Associate) and special litigation and corporate counsel (Gibson, Dunn & Crutcher) and counsel to each of the two unofficial committees of bondholders. Because such applications have not yet been filed, L&W is not certain of the amount of time that will be required for these tasks. For purposes of this Application, L&W has estimated such time at 20 hours and has included payment for such time as part of its request for compensation herein. Therefore, in connection

<sup>6</sup> The time records included within Exhibit "E" hereto reflect entries for time devoted to this category only through Monday, August 16, 1999. Because of the deadline for filing this Application of August 20th, and the volume of information and paper to be compiled to enable L&W to file the Application on a timely basis, L&W had to close its books to time entries after August 16th. Thus, the hours worked and fees requested reflected in the above text for this category reflect an additional (a) 26 hours of attorney time and 33 hours of paraprofessional time required to complete, file and serve this Application by August 20th (based upon actual hours worked through August 18th and estimated hours for August 19th and August 20th), and (b) approximately 45 hours of attorney time and 45 hours of paraprofessional time anticipated to be required to (i) respond to inquiries regarding, and attend to other administrative matters relating to, fee applications, (ii) prepare and serve an omnibus notice of the hearing on all professionals' fee applications in these cases, and (iii) prepare for and attend the hearing on fee applications. The total fees anticipated for such hours (for which time records will be available as of the time of the hearing on this Application) is \$35,000, which amount is included in the above total for this category.

with the review of the examiner's and his counsel's applications and the anticipated review of the other professionals' applications to be filed, L&W spent (or anticipates spending) approximately 21 hours during the cases for which L&W seeks fees of approximately \$7,666.

#### Claims Objections

87. During the pendency of the cases, L&W prepared objections to 240 claims filed against the Debtor's estates. As of the date hereof, all but five of such objections have been resolved either by settlement with the creditors (through significant efforts by L&W attorneys) or by orders of the Court. L&W's successful prosecution of the Debtors' claims objections have reduced significantly the claims against the Debtors' estates. (Note that, while the reorganized Debtors intend to assert additional claims objections on or before August 30, 1999 and have retained L&W to do so, the anticipated fees and expenses associated with preparing and prosecuting such objections are not reflected in this Application because, under the Amended Plan, the reorganized Debtors are authorized to pay their professionals' fees and expenses incurred after the effective date of the Amended Plan without further order of the Court.)<sup>7</sup>

88. L&W spent approximately 289 hours during the cases on such matters for which L&W seeks fees of approximately \$67,205.

#### Travel Time

89. Because the Debtors are located in Elmsford and these cases are pending in White Plains, and L&W's offices are located in Manhattan, L&W spent time traveling to Elmsford and White Plains, among other things, to meet with the Debtors and attend hearings on their behalf. Every

<sup>7</sup> Under the Amended Plan, "[t]he professionals of the Debtors and any Committee shall be entitled to reasonable compensation by, and reimbursement of expenses from, the Reorganized Company for services rendered or costs incurred by such professionals after the Effective Date promptly after submission of appropriate invoices to the Reorganized Company. In the event of a dispute over any such invoices, the Reorganized Company shall promptly pay any amount not in dispute and, if such dispute cannot be resolved among the parties, such dispute shall be resolved by the Bankruptcy Court." Amended Plan at § V.A.3.6.

effort was made to use this time productively. L&W spent approximately 45 hours during the cases traveling to and from White Plains and Elmsford for which it seeks fees of approximately \$14,193.

### Expenses

90. L&W incurred expenses on the Debtors' behalf during these cases in the total amount of \$332,506.97.<sup>8</sup> This total for expenses is broken down into categories of charges, and a complete review of the expenses incurred on the Debtors' behalf during the pendency of these cases is set forth in Exhibit "D" attached hereto. L&W does not build a profit component into these expenses. Photocopy charges are billed at \$.17 per page and outgoing facsimiles are billed at \$1.25 per page, both of which L&W believes is standard in New York. No fee is charged for incoming faxes.

91. L&W's billing practice is to itemize fully all out-of-pocket expenses reasonably capable of itemization. Such a billing policy permits L&W to bill each client only for services which that client has incurred, and avoids subsidizing clients using such services at the expense of those who do not require them by building such costs into hourly rates. The Debtors were aware at the time they sought to retain L&W as their counsel that L&W's customary billing policy is to bill its clients for only the services incurred in the course of rendering legal services for that client.

92. All expenses for which reimbursement is sought were incurred in rendering professional services to the Debtors. Certain of the categories of out-of-pocket expenses, such as distributing material by telecopy and Federal Express, were necessarily incurred in the course of effecting service of pleadings on scores or hundreds of parties in interest, often within expedited time frames. L&W also incurred such costs in connection with keeping the Debtors, the unofficial committees, indenture trustees, debtor-in-possession lenders and others abreast of late-breaking

<sup>8</sup> Such request for reimbursement of expenses includes an estimate of \$9,000 for remaining expenses incurred, or to be incurred, relating to: (i) preparing, filing and serving this Application; (ii) preparing and serving an omnibus notice of the hearing on all professionals' fee applications; and (iii) preparing for and attending a hearing on this Application. Such amounts had to be estimated, either because they have not yet been incurred or they have not yet appeared on L&W's billing records because of ordinary-course delays.

developments in the case and conducting fast-paced negotiations with other parties (such as certificate insurers under the securitizations and certain landlords and equipment lessors) with whom the Debtors eventually achieved settlements. Although L&W made every effort to use regular postal services when possible, telecopy and overnight delivery of documents and other materials was often required as to urgent matters.

93. In addition, L&W made every effort to combine as many relevant pleadings or documents in each mailing as possible to minimize expense to the estates. Similarly, regular long-distance telephone calls were required given the far-flung locations of the various parties in interest.

94. Given the expedited time frame for these cases, and the often intense pace of litigation and negotiations, it was often necessary for L&W to ask employees working on the cases to work well past the end of the normal workday. Indeed, particularly during the initial phases of the cases, certain of them worked well into the night, and sometimes all night. The expenses listed in Exhibit "D" hereto reflect expenses incurred by L&W in compensating certain employees for their overtime work. L&W called on such employees to work overtime and, therefore incurred such overtime charges, only when it was necessary to advance the Debtors' interests or respond to case developments.

95. In connection with such late-night services (as well as late-night services provided by L&W attorneys), L&W incurred costs for after-hours meals, for which it seeks reimbursement from the Debtors. L&W respectfully submits that the expenses incurred for after-hours meals were necessary to ensure that L&W could prepare the necessary papers on the Debtors' behalf, respond to motions brought by other parties, document settlements and other transactions, and provide numerous other services often under extremely tight deadlines uninterrupted by the need to break for meals off the premises. In addition, L&W seeks reimbursement for daytime meals only to the extent that such meals were provided to participants in meetings respecting the Debtors' cases.

96. In sum, L&W has made every effort to minimize the out-of-pocket expenses incurred in connection with its representation of the Debtors in these cases. L&W believes the expenditures for which reimbursement is sought herein were appropriate and warranted. L&W maintains detailed records of all out-of-pocket expenses incurred in connection with its representation of the Debtors. These records are annexed as Exhibit "F" hereto. L&W also maintains back-up documentation (such as receipts) for out-of-pocket expenses it incurs. This documentation will, of course, be provided should the Court or the United States Trustee determine that further review of those records is necessary and appropriate. L&W respectfully requests that the Court approve in full its request for reimbursement of its actual and necessary out-of-pocket expenses incurred in rendering professional services to the Debtors.

#### Valuation of Services

97. Attorneys and paraprofessionals of L&W expended a total of approximately 7,733 hours in connection with the representation of the Debtors during these cases (before adding in the estimated time relating to fee application preparation and review, discussed above). The value of such services, at L&W's customary billing rates, is \$1,945,488.00, which yields an average hourly rate of \$251.60. The average hourly rate for L&W attorneys only (excluding all paraprofessionals and other timekeepers) is \$281.33.

#### **STANDARDS APPLICABLE TO ALLOWANCE OF FEES**

98. The Debtors applied to retain L&W pursuant to its customary compensation and reimbursement policies under Sections 327 and 328 of the Bankruptcy Code, and obtained the approval of this Court to do so. Accordingly, Section 330 of the Bankruptcy Code provides the appropriate standard for awarding compensation and reimbursement of expenses. That section provides that the Court may award to a professional person employed under Section 327:

(A) reasonable compensation for actual, necessary services rendered by the . . . attorney and by any paraprofessional person employed by any such person; and

(B) reimbursement for actual, necessary expenses.

11 U.S.C. §330(a)(1). Section 330 provides further that:

[i]n determining the amount of reasonable compensation to be awarded, the court shall consider the nature, the extent, and the value of such services, taking into account all relevant factors, including --

(A) the time spent on such services;

(B) the rates charged for such services;

(C) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;

(D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed; and

(E) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title.

11 U.S.C. §330(a)(3). An examination of each of such factors supports the award of fees and expenses requested by L&W.

99. Time Spent by L&W. The time and effort required of L&W to lead the Debtors in the administration of these chapter 11 cases, the complexities of the legal issues involved, the demanding time frame, and the large variety of matters that have arisen have been discussed above. During this case, an aggregate of approximately 7,733 recorded hours have been expended by L&W's partners, associates, paraprofessionals and staff in rendering professional services to the Debtors (plus an estimated 170 hours expended, or to be expended, relating to fee application preparation and review, as discussed above). Especially in light of the sometimes highly contentious nature of these cases and the expedited time frame within which these cases were completed, the professional services rendered by L&W have required an expenditure of substantial time and effort.



100. Rates Charged for L&W's Services. The rates charged to the Debtors by L&W are the same as those rates L&W charges clients in matters other than those relating to chapter 11 cases.

101. Necessity and Benefits of Services Rendered by L&W. As set forth above, L&W's services to the Debtors resulted in confirmation and consummation of a plan of reorganization that enjoyed the support of the Debtors' major creditor constituencies and won acceptance by overwhelming majorities of those creditors entitled to vote. L&W submits that the multitude and variety of services it provided to the Debtors (as described throughout this Application) contributed to this successful result.

102. Time Required for L&W to Complete Tasks. By any measure, these cases were large chapter 11 cases, with Debtors who had, as of the Petition Date, over \$600 million in liabilities and over \$300 million in assets. Many novel and difficult questions arose in these cases. For example, these cases required the Debtors, through L&W, to devise novel solutions to preserve the integrity of the securitizations established by the Debtors prior to the Debtors' entry into bankruptcy, involving numerous entities related to the Debtors but not in chapter 11, while at the same time minimizing the Debtors' obligations relating to such securitizations going forward. L&W's attorneys rose to meet such challenges efficiently and timely. Moreover, while it was unfortunate that the Debtors were not in a position to obtain confirmation and consummation of the Original Plan within a couple months after the Petition Date (the originally scheduled time frame), L&W did, nevertheless, guide the Debtors out of bankruptcy in roughly eight months -- still a relatively short time frame given the size and complexity of these cases.

103. Comparison of L&W's Compensation to That Charged by Comparably Skilled Practitioners Outside Chapter 11. L&W's core team of attorneys and paraprofessionals who devoted substantial amounts of time to these cases are highly qualified and experienced in the bankruptcy area. L&W's extensive services have been rendered in an efficient and timely manner by attorneys who have

achieved a high degree of professional expertise in the areas in which they have rendered services (as discussed above). L&W believes that the rates charged for such services are consistent with those charged by other law firms in chapter 11 cases of similar characteristics.

**REQUEST FOR PAYMENT OF FEES AND  
REIMBURSEMENT OF EXPENSES**

104. As set forth above, L&W received a Retainer in the amount of \$500,000 from the Debtors prior to the commencement of these cases. In addition, after reconciling its invoices for services rendered to, and expenses incurred on behalf of, the Debtors prior to the commencement of these cases with the amount received by L&W prior to these cases on account of such fees and expenses, L&W has determined that the Debtors overpaid L&W in the amount of \$96,775.27, the Overpayment. L&W will apply the Retainer and the Overpayment to any award of fees and expenses made by the Court for services rendered and expenses incurred during the pendency of these cases.

WHEREFORE, L&W respectfully requests that this Court enter an order:

- (i) authorizing an allowance be made to it in the sum of \$1,987,688.00 as compensation for necessary professional services rendered to the Debtors during the pendency of these cases, and the sum of \$332,506.97 for reimbursement of necessary costs and expenses incurred during these chapter 11 cases;
- (ii) authorizing L&W to apply the Retainer and the Overpayment to the credit of the Debtors in satisfaction of such award of fees and expenses;
- (iii) directing the Debtors to pay the sum of the amounts awarded as compensation and reimbursement of expenses (in excess of the sum of the Retainer and the Overpayment) to L&W; and
- (iv) granting such other and further relief as it may deem just and proper.

Dated: New York, New York  
August 20, 1999

Respectfully submitted,

LATHAM & WATKINS

By: /s/ Robert J. Rosenberg

Robert J. Rosenberg  
885 Third Avenue, Suite 1000  
New York, New York 10022  
(212 ) 906-1200

Counsel for the Debtors and  
Debtors-in-Possession

**EXHIBIT A**

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

**AFFIDAVIT OF ROBERT J. ROSENBERG IN CONNECTION WITH THE FIRST AND FINAL APPLICATION OF LATHAM & WATKINS FOR ALLOWANCE OF COMPENSATION AND FOR REIMBURSEMENT OF EXPENSES**

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

ROBERT J. ROSENBERG, being duly sworn, deposes and says:

1. I am a partner of the law firm of Latham & Watkins (“L&W”), which firm was duly retained as attorneys to Cityscape Financial Corp. and Cityscape Corp., debtors and debtors-in-possession (the “Debtors”). This Affidavit is submitted in connection with the First and Final Application of Latham & Watkins for Allowance of Compensation and Reimbursement of Expenses under Sections 327, 328 and 330 of the Bankruptcy Code, dated August 20, 1999 (the “Application”), and pursuant to the Affidavits of Robert J. Rosenberg, Esq., dated October 5, 1999 and January 28, 1999, submitted in support of the entry of an order authorizing the retention of L&W as counsel to the Debtors, in which I swore that any additional information with respect to any connection between L&W and any other party in interest in these proceedings would be disclosed in supplementary affidavits.

Statement Pursuant to Rule 2016 of the Federal Rules of Bankruptcy Procedure

2. In accordance with Section 504 of the Bankruptcy Code and Rule 2016 of the Federal Rules of Bankruptcy Procedure, I state that neither I nor my firm has entered into any agreements, express or implied, with any other party in interest, including the Debtors, any creditor, or any attorney for such party in interest in these cases, for the purpose of sharing or fixing fees or other compensation to be paid to any such party in interest or their attorneys for services rendered in connection therewith, or for payment of such compensation from the assets of the estates in excess of the compensation allowed by this Court pursuant to provisions of the Bankruptcy Code.

Supplemental Disclosure as to No Adverse Interest

3. To the best of my knowledge, information and belief, L&W has not represented any entity having an adverse interest in the matters in which the Debtors retained L&W during the pendency of these cases.

/s/ Robert J. Rosenberg  
Robert J. Rosenberg

Sworn to before me this 20th  
day of August, 1999

/s/ David M. Bava  
Notary Public

**EXHIBIT B**

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	

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

**AFFIDAVIT PURSUANT TO THE GUIDELINES FOR FEES  
AND DISBURSEMENTS FOR PROFESSIONALS**

ROBERT J. ROSENBERG, being duly sworn, deposes and says:

1. I am a partner of the law firm of Latham & Watkins (“L&W”), which firm was duly retained as counsel to the above-captioned debtors (the “Debtors”) in these chapter 11 proceedings. This Affidavit is submitted in accordance with the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under U.S.C. § 330, dated January 30, 1996 (the “UST Guidelines”) and the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases (the “SDNY Guidelines”) and in connection with the First and Final Application of Latham & Watkins for Allowance of Compensation and Reimbursement of Expenses under Sections 327, 328 and 330 of the Bankruptcy Code, dated August 20, 1999 (the “Application”).

2. I am the partner of L&W responsible for these cases and with responsibility for compliance with the Guidelines.

3. I have read, and supervised the preparation of, the Application.
4. To the best of my knowledge, information, and belief formed after reasonable inquiry, the Application complies with the UST Guidelines and SDNY Guidelines, except as may be noted in this Affidavit and described in the Application.
5. To the best of my knowledge, information, and belief formed after reasonable inquiry, the fees and disbursements sought by the Application fall within the UST Guidelines and SDNY Guidelines, except as set forth in the Application or this Affidavit.
6. The fees and disbursements sought are billed at rates and in accordance with practices customarily employed by L&W and generally accepted by L&W's clients.
7. Attached hereto as Exhibit "1" is a list setting forth each professional and paraprofessional that provided services during the period covered by the Application, each professional's and paraprofessional's billing rate and the aggregate hours worked by each professional and paraprofessional.
8. The reorganized Debtors have reviewed and have not stated any objection to the Application.
9. The Debtors have been provided, by the 20th day of each month during the pendency of these cases, with a statement in accordance with section B.2 of the SDNY Guidelines.
10. The Debtors were provided with a draft of the Application (without exhibits) on August 11, 1999 and, since that time, have been provided with a revised draft of the Application and exhibits thereto.
11. The Application does not request enhancement of fees.
12. In providing a reimbursable service, L&W does not make a profit on that service, whether the service is performed by L&W in-house or through a third party.

/s/ Robert J. Rosenberg  
Robert J. Rosenberg

Sworn to before me this 20th  
day of August, 1999

David M. Bava  
Notary Public



**EXHIBIT "1"**

<b>Professional And Year Of Bar Admission</b>	<b><u>Position</u></b>	<b><u>Hours</u><sup>1</sup></b>	<b><u>Rate</u><sup>2</sup></b>	<b><u>Amount</u></b>
Robert J. Rosenberg (1971)	Partner (Bankruptcy)	293.20	550.00 (1998 & 1999)	161,260.00
Martin N. Flics (1980)	Partner (Bankruptcy)	15.90	450.00 (1999)	7,155.00
Jed W. Brickner (1993)	Partner (ERISA)	9.40	430.00 (1999)	4,042.00
		15.10	410.00 (1998)	6,191.00
Donald L. Schwartz (1974)	Partner (Finance)	4.50	420.00 (1999)	1,890.00
		5.50	410.00 (1998)	2,255.00
Bryant B. Edwards (1981)	Partner (Corporate)	47.70	410.00 (1998)	19,557.00
James E. Brandt (1983)	Partner (Litigation)	114.70	410.00 (1998)	47,027.00
Kevin C. Blauch (1985)	Partner (Finance)	103.35	405.00 (1999)	41,856.75
		43.00	390.00 (1998)	16,770.00
Samuel R. Weiner (1988)	Partner (Tax)	5.80	370.00 (1999)	2,146.00
A. Brent Truitt (1990)	Partner (Bankruptcy)	915.70	360.00 (1999)	329,652.00
		523.60	340.00 (1998)	178,024.00
Linda S. Schurman (1985)	Partner (Finance)	4.40	345.00 (1999)	1,518.00
Scott O. Bowie (1988)	Partner (Finance)	6.00	330.00 (1999)	1,980.00
Christopher R. Plaut (1989)	Partner (Finance)	54.90	325.00 (1999)	17,842.50
		209.10	310.00 (1998)	64,821.00
Joseph M. Kronsoble (1991)	Partner (Tax)	76.80	310.00 (1999)	23,808.00
		2.30	295.00 (1998)	678.50
Peter M. Gilhuly (1990)	Partner (Bankruptcy)	7.60	300.00 (1998)	2,280.00

<sup>1</sup> Where applicable, hours are broken down to reflect those billed in 1998 and those billed in 1999.

<sup>2</sup> Where applicable, both 1998 and 1999 rates are noted.

<b>Professional And Year Of Bar Admission</b>	<b><u>Position</u></b>	<b><u>Hours</u><sup>1</sup></b>	<b><u>Rate</u><sup>2</sup></b>	<b><u>Amount</u></b>
Josef S. Athanas (1992)	Associate (Finance)	34.00	305.00 (1999)	10,370.00
Deborah L. Goldman (1993)	Associate (Real Estate)	8.80	300.00 (1998)	2,640.00
Hugh L. Burns (1993)	Associate (Litigation)	32.90	300.00 (1999)	9,870.00
		99.70	285.00 (1998)	28,414.50
Regina L. Griffin (1993)	Associate (Litigation)	270.50	285.00 (1998)	77,092.50
Rachael Fink (1995)	Associate (Bankruptcy)	576.40	280.00 (1999)	161,392.00
		442.90	250.00 (1998)	110,725.00
Roland S. Young (1995)	Associate (Bankruptcy)	38.80	280.00 (1999)	10,864.00
		165.50	250.00 (1998)	41,650.00
John B. Ashley (1996)	Associate (Corporate)	50.70	255.00 (1999)	12,928.50
		81.80	225.00 (1998)	18,405.00
Lauren Krasnow (1996)	Associate (Unassigned)	27.40	255.00 (1999)	6,987.00
		10.30	225.00 (1998)	2,317.50
Diane S. Doyle (1997)	Associate (Unassigned)	42.10	230.00 (1999)	9,683.00
John C. Tang (1997)	Associate (Litigation)	104.40	230.00 (1999)	24,012.00
		235.50	200.00 (1998)	47,100.00
Jennifer L. Johnson (1997)	Associate (Unassigned)	40.00	200.00 (1998)	8,000.00
John A. Cartaina (Admission Pending)	Associate (Unassigned)	248.60	175.00 (1999)	43,505.00
		51.50	150.00 (1998)	7,725.00
Nehal Sanghavi (Admission Pending)	Associate (Unassigned)	281.55	175.00 (1999)	49,271.25
		252.90	150.00 (1998)	37,935.00
Sarah A. Hefty (Admission Pending)	Associate (Unassigned)	6.80	175.00 (1999)	1,190.00

<b>Professional And Year Of Bar Admission</b>	<b><u>Position</u></b>	<b><u>Hours</u><sup>1</sup></b>	<b><u>Rate</u><sup>2</sup></b>	<b><u>Amount</u></b>
W. Paul Koenig (Admission Pending)	Associate (Unassigned)	26.10	175.00 (1999)	4,567.50
Westin Lovy (Admission Pending)	Associate (Unassigned)	216.00	175.00 (1999)	37,800.00
		168.50	150.00 (1998)	25,275.00
Martin T. Felli (Admission Pending)	Associate (Unassigned)	30.00	165.00 (1998)	4,950.00
Sara R. Bucholtz (Admission Pending)	Associate (Unassigned)	42.40	165.00 (1998)	6,996.00
Darryl A. Parson (Admission Pending)	Associate (Unassigned)	79.15	150.00 (1998)	11,872.50
Keith B. Sharfman (Admission Pending)	Associate (Unassigned)	51.00	150.00 (1998)	7,650.00
Nicholas Mehler (Admission Pending)	Associate (Unassigned)	112.60	150.00 (1998)	16,890.00
Sue C. Zwick (N/A) (Overtime)	Senior Legal Assistant (Bankruptcy)	46.80	174.00 (1999)	8,143.20
		60.10	168.00 (1998)	10,096.80
		(Standard)	265.30	145.00 (1999)
		266.30	140.00 (1998)	37,282.00
Sharon J. Cole (N/A)	Senior Legal Assistant (Litigation)	11.00	140.00 (1998)	1,540.00
David M. Bava (N/A)	Legal Assistant (Bankruptcy)	248.60	130.00 (1999)	32,318.00
George J. Lofaso (N/A)	Legal Assistant (Corporate)	11.00	115.00 (1999)	1,265.00
Natasha Colton (N/A)	Legal Assistant (Litigation)	11.00	90.00 (1998)	990.00
Octavia L. McCoy (N/A)	Legal Assistant (Bankruptcy)	59.50	95.00 (1999)	5,652.50
		128.30	90.00 (1998)	11,547.00

<b>Professional And Year Of Bar Admission</b>	<b><u>Position</u></b>	<b><u>Hours</u><sup>1</sup></b>	<b><u>Rate</u><sup>2</sup></b>	<b><u>Amount</u></b>
Elizabeth Rodriguez (N/A)	Legal Assistant (Finance )	2.50	95.00 (1999)	237.50
		244.50	90.00 (1998)	22,005.00
Javier S. Delgado (N/A)	Legal Assistant (Litigation)	10.00	85.00 (1998)	850.00
G. Pados (N/A)	Litigation Support Specialist	68.40	75.00 (1998 & 1999)	5,130.00
Barbara A. Micgiel (N/A)	Reference Librarian	11.90	95.00 (1998 & 1999)	1,130.50
<b>Total:</b>		<b><u>7732.55</u></b>		<b><u>\$1,945,488.00</u><sup>3</sup></b>

<sup>3</sup> This total does not include \$42,200.00 in estimated time relating to: finalizing this Application; responding to inquiries regarding, and attending to other administrative matters relating to, fee applications; preparing for and attending the hearing on this Application; and reviewing other professionals' fee applications.

**EXHIBIT C  
VOLUNTARY FEE REDUCTIONS**

<b>PROFESSIONAL</b>	<b>RATE</b>	<b>HOURS</b>	<b>AMOUNT</b>
M GRIGSBY	475.00	.50	237.50
E H STEINBERGER	475.00	1.30	617.50
K C BLAUCH	390.00	.60	234.00
M A HARRIS	375.00	1.50	562.50
M B ABELSON	345.00	3.40	1,173.00
A B TRUITT	340.00	.50	170.00
C R PLAUTT	310.00	1.00	310.00
J S BLANK	300.00	1.70	510.00
J M KRONSNOBLE	295.00	.90	265.50
D N FONG	290.00	.50	145.00
R S. YOUNG	250.00	3.40	850.00
R FINK	250.00	4.30	1,075.00
L K KRASNOW	225.00	1.60	360.00
J L JOHNSON	200.00	1.10	220.00
V C PHELPS	180.00	.40	72.00
A M MODY	175.00	.50	87.50
S R BUCHOLTZ	165.00	.40	66.00
J MARKS	155.00	3.80	589.00
A M AMARU	155.00	1.00	155.00
I D SCHUMAN	155.00	2.00	310.00
J YEH	155.00	1.10	170.50
R RODBURG	150.00	3.65	547.50
N B SANGHAVI	150.00	.20	30.00
K B SHARFMAN	150.00	12.70	1,905.00
S C ZWICK	140.00	2.00	280.00
K C BRILL	130.00	.30	39.00
E S SANTOS	130.00	2.40	312.00
	125.00	4.90	612.50
J A KIEL	120.00	6.10	732.00
S L PROSKY	115.00	1.20	138.00
P FAUSTIN	105.00	6.70	703.50
D LEON	105.00	2.00	210.00
M E LANAUX	95.00	6.50	617.50
B A MICGIEL	95.00	1.10	104.50
O L MCCOY	95.00	.80	76.00
AS LEE	90.00	1.00	90.00
	85.00	5.00	425.00
E RODRIGUEZ	90.00	2.00	180.00
M K SORIANO	90.00	.30	27.00
G P PADOS	75.00	.50	37.50
SJ DODES	70.00	1.50	105.00
		92.35	\$15,352.00

## EXHIBIT D

### EXPENSES

TELECOPYING	58,657.50
PHOTOCOPYING	91,286.80
TELEPHONE	3,782.15
FILING FEES	556.00
INTERNAL MESSENGER	10.50
TRIP EXPENSES	324.59
FEDERAL EXPRESS	14,420.02
BINDING	1,734.50
INVESTIGATION	1,236.55
CERTIFICATE OF GOOD STANDING	1,679.75
OTHER FREIGHT	21,432.70
MEALS	4,816.17
GROUND TRANSPORTATION	20,270.11
OVERTIME	31,728.00
POSTAGE	6,702.50
LEXIS	11,081.93
PARKING	150.15
LEGAL RESEARCH	2,384.64
DOCKET	2,050.00
TRANSCRIPTS	3,336.57
WESTLAW	16,263.05
DOCUMENT PREPARATION	28,975.56
MIS SERVICES	165.00
OTHER DATABASE RESEARCH	13.50
CALLING CARD	448.73
TOTAL EXPENSES (ACTUAL):	\$323,506.97
ESTIMATED FEE APPLICATION EXPENSES	<u>9,000.00</u>
<b>TOTAL:</b>	<b>\$332,506.97</b>