

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re: )  
 ) Chapter 11  
**FRUIT OF THE LOOM, INC., et al.,** )  
 ) **Case Nos. 99-04497 (PWJ)**  
 )  
 Debtors. ) (Jointly Administered)

**FINAL APPLICATION OF ERNST & YOUNG LLP FOR ALLOWANCE OF  
COMPENSATION AND REIMBURSEMENT OF EXPENSES**

Name of applicant: Ernst & Young LLP

Authorized to Provide  
Professional Services to: Fruit of the Loom, Inc., et al.

Date of Retention: 12/29/1999 (Order Entered : 02/25/2000)

Period for which compensation  
and reimbursement is sought: January 1, 2000 through April 30, 2002

Amount of Compensation requested: \$9,311,036

Amount of Expense Reimbursement  
requested: \$475,192

This is an final application

This is not Ernst & Young LLP's first application filed. Ernst & Young filed 65 prior application as follows:

Fruit of the Loom Court Fee Applications  
Case # 99-4497

| Application                                  | Application Period    | Fees    | Expenses | Date Filed         | Docket No. | Date of Cert. of No. Objection | Docket No. | Date Paid    | Check Number    | Dollar Amount Outstanding |
|--|-----------------------|---------|----------|--------------------|------------|--------------------------------|------------|--------------|-----------------|---------------------------|
| 1st application Audit                        | 1-1-00 Thru 2-15-00   | 270,467 | 21,533   | April 3, 2000      | 512        | September 14, 2000             | 1385       | July 3, 2000 | 637242          |                           |
| 1st application Tax Outsourcing              | 1-1-00 Thru 2-15-00   | 168,587 | 6,413    | April 3, 2000      | 512        | September 14, 2000             | 1385       | July 3, 2000 | 637242          |                           |
| 1st application Human Resource Consulting    | 1-1-00 Thru 3-31-00   | 194,928 | 3,719    | July 18, 2000      | 1115       | August 29, 2000                | 1332       | 11/20/2000   | W112000921062   |                           |
| 1st application Internal Audit               | 2-1-00 Thru 5-31-00   | 309,737 | 47,278   | July 18, 2000      | 1114       | August 29, 2000                | 1331       | 11/20/2000   | W112000921062   |                           |
| 2nd application Audit                        | 2-16-00 Thru 3-31-00  | 108,990 | 17,910   | July 18, 2000      | 1117       | August 29, 2000                | 1334       | 11/20/2000   | W112000921062   |                           |
| 2nd application Tax Outsourcing              | 2-16-00 Thru 3-31-00  | 72,183  | 72,183   | July 18, 2000      | 1116       | August 29, 2000                | 1333       | 11/20/2000   | W112000921062   |                           |
| 3rd application Tax Outsourcing              | 4-1-00 Thru 4-30-00   | 85,138  | 2,362    | July 18, 2000      | 1118       | September 20, 2000             | 1406       | 11/20/2000   | W112000921062   |                           |
| 1st application Caribbean Audit              | 3-1-00 Thru 7-31-00   | 19,000  | 0        | August 17, 2000    | 1267       | September 14, 2000             | 1384       | 11/20/2000   | W112000921062   |                           |
| 1st application Quarterly Review             | 4-1-00 Thru 5-31-00   | 43,948  | 552      | August 30, 2000    | 1340       | September 29, 2000             | 1464       | 11/20/2000   | W112000921062   |                           |
| 2nd application Human Resource Consulting    | 4-1-00 Thru 4-30-00   | 23,041  | 0        | September 20, 2000 | 1404       | October 17, 2000               | 1564       | 12/29/2000   | W122900196245   |                           |
| 1st application Tax Outsourcing Out of Scope | 1-1-00 Thru 5-31-00   | 63,196  | 1,715    | September 20, 2000 | 1403       | October 17, 2000               | 1563       | 12/29/2000   | W122900196245   |                           |
| 1st application Farley Special Committee     | 7-1-00 Thru 9-15-00   | 138,865 | 14,449   | October 10, 2000   | 1505       | November 8, 2000               | 1619       | 12/29/2000   | W122900196245   |                           |
| 1st application Benefit Plan                 | 1-1-00 Thru 11-31-00  | 56,800  | 226      | November 30, 2000  | 1747       | January 3, 2001                | 1887       | 1/25/2001    | 671324 / 704734 |                           |
| 4th application Tax Outsourcing              | 5-1-00 Thru 7-31-00   | 250,788 | 11,712   | November 30, 2000  | 1748       | January 3, 2001                | 1888       | 1/25/2001    | 672325 / 704733 |                           |
| 5th application Tax Outsourcing              | 8-1-00 Thru 10-31-00  | 245,290 | 17,210   | December 8, 2000   | 1786       | January 9, 2001                | 1902       | 1/25/2001    | 671326 / 704737 |                           |
| Tax payroll                                  | 4-1-00 Thru 11-30-00  | 40,000  | 0        | December 15, 2000  | 1832       | January 16, 2001               | 1917       | 1/26/2001    | 671665 / 704730 |                           |
| 2nd application Internal Audit               | 6-1-00 Thru 10-31-00  | 428,877 | 36,044   | December 18, 2000  | 1837       | January 16, 2001               | 1918       | 1/26/2001    | 671664 / 704729 |                           |
| 2nd application QTR Review                   | 6-1-00 Thru 11-30-00  | 82,000  | 0        | February 6, 2001   | 1999       | March 6, 2001                  | 2145       | 3/27/2001    | 679388 / 704728 |                           |
| 3rd application Human Resource Consulting    | 11-1-00 Thru 12-31-00 | 31,588  | 0        | February 8, 2001   | 2011       | March 9, 2001                  | 2156       | 6/7/2001     | 688727 / 704727 |                           |
| 2nd application Tax Outsourcing Out of Scope | 6-1-00 Thru 9-15-00   | 475,316 | 22,351   | February 8, 2001   | 2012 / 211 | March 9, 2001                  | 2157       | 6/11/2001    | 689726 / 704731 |                           |
| 1st application 2000 Audit                   | 4-1-00 Thru 11-30-00  | 196,380 | 8,358    | February 28, 2001  | 2096       | March 28, 2001                 | 2289       | 4/5/2001     | 681339 / 704726 |                           |
| 2nd application Farley Special Committee     | 9-1-00 Thru 11-30-00  | 140,719 | 10,573   | February 28, 2001  | 2097       | March 28, 2001                 | 2290       | 4/5/2001     | 681340 / 704725 |                           |
| 2nd application 2000 Audit                   | 12-1-00 Thru 1-31-01  | 193,686 | 12,328   | February 28, 2001  | 2109       | April 23, 2001                 | 2472       | 5/1/2001     | 685050 / 704724 |                           |
| 6th application Tax Outsourcing              | 11-1-00 Thru 12-31-00 | 173,009 | 1,991    | March 13, 2001     | 2166       | April 23, 2001                 | 2471       | 5/1/2001     | 685047 / 704723 |                           |
| 1st application 2001 Tax Outsourcing         | 1-01-01 Thru 1-31-01  | 88,463  | 2,237    | March 19, 2001     | 2227       | April 23, 2001                 | 2470       | 5/1/2001     | 685049 / 704722 |                           |
| 2nd application 2001 Tax Outsourcing         | 2-1-01 Thru 2-28-01   | 89,130  | 1,570    | March 23, 2001     | 2263       | April 23, 2001                 | 2469       | 5/1/2001     | 685048 / 704721 |                           |
| 3rd application Internal Audit               | 11-1-00 Thru 12-31-00 | 17,040  | 16       | April 2, 2001      | 2380       | April 26, 2001                 | 2492       | 6/7/2001     | 689725 / 704720 |                           |
| 3rd application 2000 Audit                   | 2-1-01 Thru 2-28-01   | 270,504 | 11,892   | April 6, 2001      | 2395       | May 18, 2001                   | 2578       | 5/30/2001    | 688417 / 704719 |                           |
| 3rd application Tax Outsourcing Out of Scope | 9-16-00 Thru 12-31-00 | 250,297 | 14,299   | April 16, 2001     | 2434       | May 18, 2001                   | 2577       | 6/12/2001    | 690941 / 704718 |                           |
| 3rd application 2001 Tax Outsourcing         | 3-1-01 Thru 3-31-01   | 89,564  | 1,136    | April 26, 2001     | 2489       | May 30, 2001                   | 2618       | 6/11/2001    | 690095 / 704717 |                           |
| 4th application 2000 Audit                   | 3-1-01 Thru 3-31-01   | 83,490  | 1,802    | April 26, 2001     | 2490       | May 31, 2001                   | 2639       | 6/8/2001     | 590508 / 704716 |                           |
| 4th application 2001 Tax Outsourcing         | 4-1-01 Thru 4-30-01   | 90,588  | 112      | July 12, 2001      | 2898       | August 2, 2001                 | 2980       | 8/13/2001    | 697374          | 18,117.60                 |
| 5th application 2001 Tax Outsourcing         | 5-1-01 Thru 5-31-01   | 90,288  | 412      | August 6, 2001     | 3048       | September 17, 2001             | 3114       | 9/24/2001    | 702956          | 18,057.60                 |
| 6th application 2001 Tax Outsourcing         | 6-1-01 Thru 6-30-01   | 89,439  | 1,261    | August 6, 2001     | 3049       | September 17, 2001             | 3115       | 9/24/2001    | 702955          | 17,887.80                 |

Fruit of the Loom Court Fee Applications  
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|---|-----------------------|--------------|------------|--------------------|------------|--------------------------------|------------|------------|--------------|--------------|---------------------------|
| 1st application 2000 Caribbean Audit        | 1-1-01 Thru 7-31-01   | 19,000       | 0          | September 18, 2001 | 3125       | October 10, 2001               | 3203       | 10/22/2001 | 706634       | 706634       | 3,800.00                  |
| 1st application 2000 Payroll Tax            | 1-1-01 Thru 6-30-01   | 20,000       | 0          | September 18, 2001 | 3124       | October 10, 2001               | 3202       | 10/22/2001 | 706633       | 706633       | 4,000.00                  |
| 5th/Final application 2000 Audit            | 4-1-01 Thru 5-31-01   | 271,905      | 2,655      | September 21, 2001 | 3141       | April 23, 2002                 | 4422       | 4/30/2002  | 728160       | 728160       | 118,226.60                |
| 1st application 2001 Tax Out-of-Scope       | 1-1-01 Thru 4-30-01   | 256,420      | 9,249      | September 21, 2001 | 3140       | October 15, 2001               | 3247       | 10/22/2001 | 706632       | 706632       | 51,284.00                 |
| 7th application 2001 Tax Outsourcing        | 7-1-01 Thru 8-31-01   | 181,281      | 119        | October 8, 2001    | 3191       | November 11, 2001              | 3327       | 11/26/2001 | 709324       | 709324       | 36,256.20                 |
| 1st application 2001 Internal Audit         | 1-1-01 Thru 6-30-01   | 298,147      | 16,669     | October 26, 2001   | 3292       | November 16, 2001              | 3376       | 12/3/2001  | 710718       | 710718       | 59,629.40                 |
| 1st application 2001 ISAAAS                 | 7-1-01 Thru 9-30-01   | 123,479      | 11,002     | October 26, 2001   | 3293       | November 16, 2001              | 3375       | 12/3/2001  | 710717       | 710717       | 24,695.80                 |
| 1st application 2001 Transfer Pricing       | 1-1-01 Thru 9-30-01   | 48,721       | 0          | October 30, 2001   | 3298       | November 29, 2001              | 3414       | 12/10/2001 | 712478       | 712478       | 10,104.20                 |
| 1st application 2001 GEMS                   | 1-1-01 Thru 9-30-01   | 5,500        | 0          | October 30, 2001   | 3299       | November 29, 2001              | 3415       | 12/10/2001 | 712079       | 712079       | 1,100.00                  |
| 2nd application 2001 Tax Out-of-Scope       | 5-1-01 Thru 6-30-01   | 109,306      | 2,626      | November 14, 2001  | 3360       | December 10, 2001              | 3458       | 12/27/2001 | 713348       | 713348       | 21,861.20                 |
| 1st/Final application 2001 Quarterly Review | 1-1-01 Thru 10-31-01  | 175,540      | 3,960      | November 28, 2001  | 3451       | April 23, 2002                 | 4423       | 4/30/2002  | 728162       | 728162       | 35,108.00                 |
| 8th application 2001 Tax Outsourcing        | 9-1-01 Thru 9-30-01   | 90,079       | 621        | December 17, 2001  | 3482       | April 23, 2002                 | 4421       | 4/30/2002  | 728161       | 728161       | 18,015.80                 |
| 9th application 2001 Tax Outsourcing        | 10-1-01 Thru 10-31-01 | 90,462       | 238        | January 10, 2002   | 3821       | February 7, 2002               | 3968       | 2/18/2002  | 382219       | 382219       | 18,092.40                 |
| 10th application 2001 Tax Outsourcing       | 11-1-01 Thru 11-30-01 | 90,661       | 39         | January 10, 2002   | 3822       | February 7, 2002               | 3969       | 2/18/2002  | 382210       | 382210       | 18,132.20                 |
| 11th/Final application 2001 Tax Outsourcing | 12-1-01 Thru 12-28-01 | 90,549       | 151        | February 15, 2002  | 4015       | March 13, 2002                 | 4208       | 3/22/2002  | 723273       | 723273       | 18,109.80                 |
| 2nd/Final application 2000 Payroll Tax      | 7-1-01 Thru 12-28-01  | 20,000       | 0          | February 19, 2002  | 4027       | March 13, 2002                 | 4210       | 4/8/2002   | OA-97007     |              | 4,000.00                  |
| 2nd/Final application 2001 Transfer Pricing | 10-1-01 Thru 12-28-01 | 10,508       | 0          | March 4, 2002      | 4168       | March 28, 2002                 | 4299       | 4/9/2002   | 725695       | 725695       | 2,101.60                  |
| 3rd application 2001 Tax Out-of-Scope       | 7-1-01 Thru 9-30-01   | 352,545      | 8,796      | March 4, 2002      | 4169       | March 28, 2002                 | 4300       | 4/9/2002   | 725696       | 725696       | 70,509.00                 |
| 1st application 2002 Tax Outsourcing        | 1-1-02 Thru 1-31-02   | 90,227       | 1,923      | March 28, 2002     | 4294       | April 18, 2002                 | 4395       | 4/29/2002  | 727843       | 727843       | 18,045.40                 |
| 1st application 2001 Audit                  | 6-1-01 Thru 1-31-02   | 452,533      | 21,866     | March 28, 2002     | 4295       | April 18, 2002                 | 4397       | 4/29/2002  | 727844       | 727844       | 90,506.60                 |
| 4th/Final 2001 Tax Out-of-Scope             | 10-1-01 Thru 12-28-01 | 206,763      | 3,168      | April 15, 2002     | 4368       | May 7, 2002                    | 4470       | 6/5/2002   | 388016       | 388016       | 41,352.96                 |
| 1st application 2002 Payroll Tax            | 1-1-02 Thru 4-30-02   | 13,333       | 0          | May 21, 2002       | 4529       | May 21, 2002                   |            |            |              |              | 13,333.00                 |
| 2nd application 2002 Tax Outsourcing        | 2-1-02 Thru 3-1-02    | 90,806       | 1,344      | May 21, 2002       | 4530       | May 21, 2002                   |            |            |              |              | 92,150.00                 |
| 2nd application 2001 Audit                  | 2-1-02 Thru 4-30-02   | 473,835      | 15,791     | June 11, 2002      | 4615       | June 11, 2002                  |            |            |              |              | 489,626.00                |
| 1st application 2002 Inventory Observation  | 1-1-02 Thru 4-30-02   | 43,435       | 5,669      | June 11, 2002      | 4616       | June 11, 2002                  |            |            |              |              | 49,104.00                 |
| 1st application 2002 Internal Audit         | 1-1-02 Thru 4-30-02   | 46,627       | 3,425      | June 21, 2002      | 4636       | June 21, 2002                  |            |            |              |              | 50,052.00                 |
| 1st application 2002 Quarterly Review       | 1-1-02 Thru 4-30-02   | 39,235       | 1,765      | June 21, 2002      | 4635       | June 21, 2002                  |            |            |              |              | 41,000.00                 |
| 3rd application 2002 Tax Outsourcing        | 3-2-02 Thru 4-30-02   | 182,790      | 1,510      | June 21, 2002      | 4638       | June 21, 2002                  |            |            |              |              | 184,300.00                |
| 1st application Retirement Savings Plan     | 1-1-01 Thru 10-31-01  | 40,000       | 1,711      | June 21, 2002      | 4637       | June 21, 2002                  |            |            |              |              | 41,711.00                 |
| 1st application 2002 Tax Out-of-Scope       | 1-1-02 Thru 2-28-02   | 195,805      | 5,199      |                    |            |                                |            |            |              |              | 201,004.00                |
| 2nd application 2002 Tax Out-of-Scope       | 3-1-02 Thru 4-30-02   | 209,208      | 12,052     |                    |            |                                |            |            |              |              | 221,260.00                |
|   |                       | 9,311,036.00 | 475,192.00 |                    |            |                                |            |            |              |              | 2,102,534.16              |

**THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

|   |   |                                 |
|---|---|---------------------------------|
| In re:                                  | ) |                                 |
|   | ) | Chapter 11                      |
| <b>FRUIT OF THE LOOM, INC., et al.,</b> | ) |                                 |
|   | ) | <b>Case Nos. 99-04497 (PWJ)</b> |
|   | ) |                                 |
| Debtors.                                | ) | (Jointly Administered)          |

**FINAL APPLICATION OF ERNST & YOUNG LLP FOR  
ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF EXPENSES**

This application (“Application”) of the accountants for Fruit of the Loom, et al., (the “Company”), is made by the professional service firm of Ernst & Young LLP (the “Applicant”).

In support hereof, the Applicant respectfully represents as follows:

**PRELIMINARY STATEMENT**

1. By this Application, Ernst & Young LLP (the “EY”) seeks final allowance of fees and expenses that were previously filed on an interim basis in the aggregate amount of \$9,786,228.00 for the period of January 1, 2000 through April 30, 2002; (i) allowing on final basis compensation in the amount of \$9,311,036.00 and expenses in the amount of \$475,192.00 approved by the Court on an interim basis pursuant to the Interim Fee Applications attached hereto and incorporated herein for all purposes as Exhibit One; (ii) allowing the final basis compensation in the amount of \$718,994.16 related to the 20% holdback; (iii) allowing the final basis compensation in the amount of \$1,335,074.00 and expenses in the amount of \$48,466.00 not yet approved by the Court; (iv) authorizing and

directing the Debtor to pay the Applicant the sum of \$2,102,534.16 herein for services rendered to the Debtor during the Application Period.

### **BACKGROUND**

2. The Company commenced this case on December 29, 1999 (the "Petition Date") by filing petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). By Order dated February 23, 2000 (the "Retention Order"), the Court authorized the Company to retain the Applicant as of December 29, 1999, as its accountants in this case. A copy of the Retention Order is attached hereto and incorporated herein for all purposes as Exhibit Two. The Retention Order conditioned the Applicant's compensation on approval by this Court.
3. Pursuant to the Court's Order and pursuant to Sections 105(a) and 331 of the Bankruptcy Code, Debtors have paid EY to date \$7,683,693.84 as interim compensation for professional services rendered and as reimbursement for expenses. Compensation for professional services and expenses, which were previously approved without objection with regard to the 20% holdbacks in the aggregate, amount to \$718,994.16 and has not been approved by the Court and is unpaid. The following Interim Fee Applications have been filed with the Court however have not been approved without objections for the compensation in the amount of \$1,335,074.00 and expenses of \$48,466.00 remains unpaid.

### **GUIDELINES**

4. Accordingly, the Applicant submits the Application pursuant to sections 328, 330, 331, and 503(b) of the Bankruptcy Code, Rule 2016 of the Federal Rules of Bankruptcy Procedure ("the "Bankruptcy Rules") and in accordance with the U.S. Department of Justice,

Executive Office for United States Trustee's Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses filed under 11 U.S.C. §330 ("the Guidelines").

### **DESCRIPTION OF SERVICES**

5. A description of the principal services provided by the Applicant, which were at the request of the Company and Counsel to the Company, during the Application Period is as set forth below:

#### **Audit and Report on the consolidated financial statements of Fruit of the Loom, Inc., et al.,**

In the normal course of business, the Debtor's year end consolidated financial statements are audited by the Applicant. As of the date of retention of the Applicant, the audit of the 1999, 2000 and 2001 Consolidated financial statements had been initiated by the Applicant. The Applicant was engaged by the Company to perform the audit required by the Debtor's various lending agreements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. Also included is time spent related to the audit in providing accounting services such as advice on accounting for specific transactions, preparation of financial statements and other accounting related issues. Specific accounting and audit related services provided during the Application Period Included:

1. Planning for the audit of the financial statements, including evaluation of the scope of the audit testing to be performed, determination of the audit risk of specific accounts, coordination of procedures at locations other than the Debtor's headquarters, review the Debtor's accounting and record keeping procedures and systems in numerous areas, documenting findings, and determination, evaluation and testing of internal controls affecting the systems and procedures;
2. Analytical review and testing of certain account balances;
3. Testing accuracy and consistency of financial statements and disclosures against generally accepted accounting principles ("GAAP")

**Internal Audit and ISAAS Services of Fruit of the Loom, Inc., et al.**

Ernst & Young's Internal Audit practice rendered to Fruit of the Loom, at the request of the Company and Counsel to the Company, during the Application Period assessments of the effectiveness of the Company's internal controls, information systems controls, and operating procedures; identified weaknesses and made recommendations to strengthen the Company's control environments. This differs from an external audit which performs detailed audit procedures of the Financial Statements to determine if they are in accordance with Generally Accepted Accounting Principles.

Ernst & Young's Technology and Security Risk Services practice rendered to Fruit of the Loom, at the request of the Company and Counsel to the Company, during the Application Period assessments of the effectiveness of the Company's application-based internal controls, information systems controls, and selected IT operating procedures; identified weaknesses and made recommendations to strengthen the Company's MIS control environments. This differs from an external audit which performs detailed audit procedures of the Financial Statements to determine if they are in accordance with Generally Accepted Accounting Principles.

**Professional Services Rendered with Regard to Audit of the financial statements of Fruit of the Loom Retirement Savings Plan and Fruit of the Loom 401(k) Plan**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. The Applicant performed certain procedures, as required by generally accepted auditing standards, directed at considering "The Plans" compliance with applicable Internal Revenue Code requirements for Tax-exempt status including reading "The Plans" latest tax determination letters from the IRS. Specific accounting and audit related services provided during the Application Period included:

1. Planning for the audit of the benefit plans financial statements, including evaluation of the scope of the audit testing to be performed, determination of the audit risk of specific accounts, coordination of procedures at locations other than the Debtor's headquarters, review the Debtor's accounting and record keeping procedures and systems in numerous areas, documenting findings and determination, evaluation and testing internal controls affecting the systems and procedures;
2. Analytical review and testing of certain account balances;
3. Testing accuracy and consistency of financial statements and disclosures against generally accepted accounting principles ("GAAP");
4. Preparation and submission of Forms 5500 for the Retirement Savings Plans

## 5. Preparation and submission of the Master Trust

### **Professional Services Rendered with Regard to the Farley Special Committee Agreement**

A Special Committee of the Board of Directors (“Special Committee”) requested that the Applicant assist the Special Committee in assessing the ability of Mr. William F. Farley to make payments under a loan that the Company has guaranteed in the amount of approximately \$60 million. The Applicant has performed the following:

- Analysis of the personal financial statements of Mr. Farley, as well as other financial records that were made available to us.
- Assisted the Special Committee and the Board of Directors with discovery of net assets that would be available to satisfy the bank loan.
- Held status meetings between the Special Committee member liaison and the Applicant.
- Held meeting with the Board of Directors to discuss report.

### **Inventory Observation services provided to Fruit of the Loom, Inc., et al.,**

In February 2002, the Debtor performed a physical inventory. The Applicant was requested by the Company to perform certain procedures related to these physical inventories. Included in those procedures were: (i) observation of physical inventory procedures performed at several of the Company's locations, (ii) verification of the count performed by Company personnel for certain items, (iii) agreed quantities per the counts performed by Company personnel to the Company's detailed records on a test basis, and (iv) agreed detailed records to the general ledger on a test basis.

### **Quarterly Review of Financial Information of Fruit of the Loom, Inc., et al.,**

The Quarterly Review consists of an overview of the Company’s quarterly financial information, Management Inquiries, Analytical Procedures, Reviewing documentation that includes Quarterly Financial information, Review of the Minutes of the Board of Directors meetings, preparation of a Summary Review Memorandum and communication to the audit committee of any matters that were identified as described in SAS 61 (Communication with Audit Committees).

### **Tax services provided to Fruit of the Loom, Inc., et al.,**



The Applicant has provided the following for the purpose of performing tax services for the Company so that they are relieved of such burden.

### **Systems Interface**

- The Applicant is responsible for completing all interfaces and software programming between Applicant's tax package and the Company's primary financial software packages, Oracle and Peoplesoft, designed to expedite data gathering as part of our overall services and is included in our fee.

### **Tax Compliance Services**

The Applicant prepared the following tax returns:

- U.S. federal income tax returns for the Company and its subsidiaries (exclusive of amended federal tax returns for tax years not covered by this agreement).
- U.S. information reporting of foreign subsidiaries.
- State and local income tax returns for those jurisdictions where the Company and its subsidiaries filed such returns for the taxable year immediately preceding the first taxable year covered by this agreement (exclusive of amended state tax returns for tax years not covered by this agreement).
- Sales and use tax returns for those jurisdictions where the Company and its subsidiaries filed such returns for the taxable year immediately preceding the first taxable year covered by this agreement (exclusive of amended sales and use tax returns for tax years not covered by this agreement).
- State and local property and excise tax returns for those jurisdictions where the Company and its subsidiaries filed such returns for the taxable year immediately preceding the first taxable year covered by this agreement (exclusive of amended state and local and excise tax returns for tax years not covered by this agreement).
- Franchise tax returns and annual reports for those jurisdictions where the Company and its subsidiaries filed such returns for the taxable year immediately preceding the first taxable year covered by this agreement (exclusive of amended franchise tax returns and annual reports for tax years not covered by this agreement).
- Federal and state estimated payments for those jurisdictions where the Company and its subsidiaries filed such returns for the taxable year immediately preceding the first taxable year covered by this agreement or where they would have filed if estimated tax returns had been required.
- Puerto Rican tax filings.

In connection with the preparation of tax returns, the Applicant:

- Computed the tax fixed asset depreciation and interfaces with the Company accounting department as needed.
- Prepared and maintained a comprehensive tax calendar, for the purpose of insuring Company compliance with the state, federal and local taxing authorities filing deadlines and regulations.

- Provided day-to-day support of the internal customers of the former tax department including responding to routine notices.
- Participated in and prepares required materials for quarterly management review meetings.

### **Representation before Taxing Authorities**

The Applicant represented the Company in federal and state tax examinations up to the Appeals Level, in such matters and to the extent that the Company determines. During this application period, Applicant responded to IRS Notices and notices from various state taxing authorities.

### **Tax Accounting Analyses**

The Applicant prepared tax provision and accrual analyses and recommends options for amounts of tax reserves to be maintained by the Company and identifies relevant issues associated with such recommendations. Such recommendations are reviewed with the Company, and the decisions regarding tax provision accrual and tax reserves remain the responsibility of the Company.

### **Global Employee Tax services provided to Fruit of the Loom, Inc., et al.,**

The Applicant is provided the following for the purpose of performing tax services for the Company so that they are relieved of such burden.

- Preparation of Art Kirby's 2000 U.S. federal and Kentucky, North Carolina and South Carolina individual income tax returns.
- 2000 Tax Equalization for Art Kirby.
- Determination of compensation breakdown and tax withholdings for Art Kirby, Len Marbury, and Sal Consiglio.

### **Human Resources Tax Consulting services provided to Fruit of the Loom, Inc., et al.,**

Ernst & Young's Human Resource Consulting practice rendered the foregoing services to Fruit of the Loom, which were at the request of the Company and Counsel to the Company, during the Application Period:

- Research retention and severance pay practices of Chapter 11 companies on CEO pay packages.
- Conducted benchmark analysis of CEO packages
- Design and development of comprehensive compensation package for CEO position.

### **Payroll Tax Services Provided to Fruit of the Loom, Inc., et al.,**

The Applicant is providing the following for the purpose of performing tax services for the Company so that they are relieved of such burden.

- Prepare federal, state and local payroll tax returns for the Company and calculate the related deposit amounts based upon information provided to us by the Company. Prepare check voucher and electronic submissions for review and approval by the Company.
- Provide training and guidance to members of the Company's Account Payable department on the preparation of Forms 1099 and answer reporting questions on Forms 1099.

**Transfer Pricing Tax services provided to Fruit of the Loom, Inc., et al.,**

The Applicant is providing the following for the purpose of performing tax services for the Company so that they are relieved of such burden.

- Conduct of a transfer pricing study and preparation of the requisite U.S. transfer pricing documentation report for Fruit of the Loom, Inc., Fruit of the Loom Operating Ltd., and Union Underwear Company, Inc. for the tax year ended December 30, 2000.

**EY's FINAL FEE APPLICATION**

6. The professional services and related expenses incurred during the Application Period were rendered and incurred in connection with this case, and in discharge of EY's professional responsibilities as accountants and tax advisors to the Debtor. Applicant values its services to the Debtor during the Application Period at \$ 9,311,036.00 and values out-of-pocket expenses at \$475,192.00. An accounting of the time expended, the nature of services rendered, the respective professionals providing the services, and an itemized accounting of the nature and cost of the expenses incurred by Applicant were included in the Interim Fee Applications, attached hereto in Exhibit One.

**WHEREFORE**, EY request that an Order be entered allowing the following:

- (i) Allowing on final basis compensation in the amount of \$9,311,036.00 and expenses in the amount of \$475,192.00 approved by the Court on an interim basis pursuant to the Interim Fee Applications attached hereto in Exhibit One.
- (ii) Allowing the final basis compensation in the amount of \$718,994.16 related to the 20% holdback.

- (iii) Allowing the final basis compensation in the amount of \$1,335,074.00 and expenses in the amount of \$48,466.00 not yet approved by the Court.
- (iv) Authorizing and directing the Debtor to pay the Applicant the sum of \$2,102,534.16 herein for services rendered to the Debtor during the Application Period
- (v) Granting such other and further relief as the Court deems appropriate.


Dated: June 25, 2002

I HEREBY CERTIFY that the foregoing is true and Correct  
Ernst & Young LLP  
Accountants for  
Fruit of the Loom, et al.,  
233 S. Wacker Drive  
Chicago, IL 60606  
Telephone: (312) 879-3856

BY: 

James J. Doyle  
Partner

Subscribed and sworn before me  
The 25th day of June, 2002

  
\_\_\_\_\_  
Notary Public



# **Exhibit I**

Fruit of the Loom Court Fee Applications  
Case # 99-4497

| Application                                  | Application Period    | Fees    | Expenses | Date Filed         | Docket No. | Date of Cert. of No. Objection | Docket No. | Date Paid    | Check Number    | Dollar Amount Outstanding |
|--|-----------------------|---------|----------|--------------------|------------|--------------------------------|------------|--------------|-----------------|---------------------------|
| 1st application Audit                        | 1-1-00 Thru 2-15-00   | 270,467 | 21,533   | April 3, 2000      | 512        | September 14, 2000             | 1385       | July 3, 2000 | 637242          |                           |
| 1st application Tax Outsourcing              | 1-1-00 Thru 2-15-00   | 168,587 | 6,413    | April 3, 2000      | 512        | September 14, 2000             | 1385       | July 3, 2000 | 637242          |                           |
| 1st application Human Resource Consulting    | 1-1-00 Thru 3-31-00   | 194,928 | 3,719    | July 18, 2000      | 1115       | August 29, 2000                | 1332       | 11/20/2000   | W112000921062   |                           |
| 1st application Internal Audit               | 2-1-00 Thru 5-31-00   | 309,737 | 47,278   | July 18, 2000      | 1114       | August 29, 2000                | 1331       | 11/20/2000   | W112000921062   |                           |
| 2nd application Audit                        | 2-16-00 Thru 3-31-00  | 108,990 | 17,910   | July 18, 2000      | 1117       | August 29, 2000                | 1334       | 11/20/2000   | W112000921062   |                           |
| 2nd application Tax Outsourcing              | 2-16-00 Thru 3-31-00  | 72,183  | 72,183   | July 18, 2000      | 1116       | August 29, 2000                | 1333       | 11/20/2000   | W112000921062   |                           |
| 3rd application Tax Outsourcing              | 4-1-00 Thru 4-30-00   | 85,138  | 2,362    | July 18, 2000      | 1118       | September 20, 2000             | 1406       | 11/20/2000   | W112000921062   |                           |
| 1st application Caribbean Audit              | 3-1-00 Thru 7-31-00   | 19,000  | 0        | August 17, 2000    | 1267       | September 14, 2000             | 1384       | 11/20/2000   | W112000921062   |                           |
| 1st application Quarterly Review             | 4-1-00 Thru 5-31-00   | 43,948  | 552      | August 30, 2000    | 1340       | September 29, 2000             | 1464       | 11/20/2000   | W112000921062   |                           |
| 2nd application Human Resource Consulting    | 4-1-00 Thru 4-30-00   | 23,041  | 0        | September 20, 2000 | 1404       | October 17, 2000               | 1564       | 12/29/2000   | W122900196245   |                           |
| 1st application Tax Outsourcing Out of Scope | 1-1-00 Thru 5-31-00   | 63,196  | 1,715    | September 20, 2000 | 1403       | October 17, 2000               | 1563       | 12/29/2000   | W122900196245   |                           |
| 1st application Farley Special Committee     | 7-1-00 Thru 9-15-00   | 138,865 | 14,449   | October 10, 2000   | 1505       | November 8, 2000               | 1619       | 12/29/2000   | W122900196245   |                           |
| 1st application Benefit Plan                 | 1-1-00 Thru 11-31-00  | 56,800  | 226      | November 30, 2000  | 1747       | January 3, 2001                | 1887       | 1/25/2001    | 671324 / 704734 |                           |
| 4th application Tax Outsourcing              | 5-1-00 Thru 7-31-00   | 250,788 | 11,712   | November 30, 2000  | 1748       | January 3, 2001                | 1888       | 1/25/2001    | 672325 / 704733 |                           |
| 5th application Tax Outsourcing              | 8-1-00 Thru 10-31-00  | 245,290 | 17,210   | December 8, 2000   | 1786       | January 9, 2001                | 1902       | 1/25/2001    | 671326 / 704737 |                           |
| Tax Payroll                                  | 4-1-00 Thru 11-30-00  | 40,000  | 0        | December 15, 2000  | 1832       | January 16, 2001               | 1917       | 1/26/2001    | 671665 / 704730 |                           |
| 2nd application Internal Audit               | 6-1-00 Thru 10-31-00  | 429,877 | 36,044   | December 18, 2000  | 1837       | January 16, 2001               | 1918       | 1/26/2001    | 671664 / 704729 |                           |
| 2nd application QTR Review                   | 6-1-00 Thru 11-30-00  | 82,000  | 0        | February 6, 2001   | 1999       | March 6, 2001                  | 2145       | 3/27/2001    | 679388 / 704728 |                           |
| 3rd application Human Resource Consulting    | 11-1-00 Thru 12-31-00 | 31,588  | 0        | February 8, 2001   | 2011       | March 9, 2001                  | 2156       | 6/7/2001     | 689727 / 704727 |                           |
| 2nd application Tax Outsourcing Out of Scope | 6-1-00 Thru 9-15-00   | 475,316 | 22,351   | February 8, 2001   | 2012 / 211 | March 9, 2001                  | 2157       | 6/11/2001    | 689726 / 704731 |                           |
| 1st application 2000 Audit                   | 4-1-00 Thru 11-30-00  | 196,380 | 8,358    | February 26, 2001  | 2096       | March 28, 2001                 | 2289       | 4/5/2001     | 681339 / 704726 |                           |
| 2nd application Farley Special Committee     | 9-1-00 Thru 11-30-00  | 140,719 | 10,573   | February 26, 2001  | 2097       | March 28, 2001                 | 2290       | 4/5/2001     | 681340 / 704725 |                           |
| 2nd application 2000 Audit                   | 12-1-00 Thru 1-31-01  | 193,686 | 12,328   | February 28, 2001  | 2109       | April 23, 2001                 | 2472       | 5/1/2001     | 685050 / 704724 |                           |
| 6th application Tax Outsourcing              | 11-1-00 Thru 12-31-00 | 173,009 | 1,991    | March 13, 2001     | 2166       | April 23, 2001                 | 2471       | 5/1/2001     | 685047 / 704723 |                           |
| 1st application 2001 Tax Outsourcing         | 1-01-01 Thru 1-31-01  | 88,463  | 2,237    | March 19, 2001     | 2227       | April 23, 2001                 | 2470       | 5/1/2001     | 685049 / 704722 |                           |
| 2nd application 2001 Tax Outsourcing         | 2-1-01 Thru 2-28-01   | 89,130  | 1,570    | March 23, 2001     | 2263       | April 23, 2001                 | 2469       | 5/1/2001     | 685048 / 704721 |                           |
| 3rd application Internal Audit               | 11-1-00 Thru 12-31-00 | 17,040  | 16       | April 2, 2001      | 2380       | April 26, 2001                 | 2492       | 6/7/2001     | 689725 / 704720 |                           |
| 3rd application 2000 Audit                   | 2-1-01 Thru 2-28-01   | 270,504 | 11,892   | April 6, 2001      | 2395       | May 18, 2001                   | 2577       | 5/30/2001    | 688417 / 704719 |                           |
| 3rd application Tax Outsourcing Out of Scope | 9-16-00 Thru 12-31-00 | 250,297 | 14,299   | April 16, 2001     | 2434       | May 18, 2001                   | 2578       | 6/12/2001    | 690941 / 704718 |                           |
| 3rd application 2001 Tax Outsourcing         | 3-1-01 Thru 3-31-01   | 89,564  | 1,136    | April 26, 2001     | 2489       | May 30, 2001                   | 2618       | 6/11/2001    | 690935 / 704717 |                           |
| 4th application 2000 Audit                   | 3-1-01 Thru 3-31-01   | 83,490  | 1,802    | April 26, 2001     | 2490       | May 31, 2001                   | 2639       | 6/8/2001     | 590508 / 704716 |                           |
| 4th application 2001 Tax Outsourcing         | 4-1-01 Thru 4-30-01   | 90,588  | 112      | July 12, 2001      | 2898       | August 2, 2001                 | 2980       | 8/13/2001    | 697374          | 18,117.60                 |
| 5th application 2001 Tax Outsourcing         | 5-1-01 Thru 5-31-01   | 90,288  | 412      | August 6, 2001     | 3048       | September 17, 2001             | 3114       | 9/24/2001    | 702956          | 18,057.60                 |
| 6th application 2001 Tax Outsourcing         | 6-1-01 Thru 6-30-01   | 89,439  | 1,261    | August 6, 2001     | 3049       | September 17, 2001             | 3115       | 9/24/2001    | 702955          | 17,887.80                 |

Fruit of the Loom Court Fee Applications  
Case # 99-4497

| Application                                 | Application Period    | Fees         | Expenses   | Date Filed         | Docket No. | Date of Cert. of No. Objection | Docket No. | Date Paid  | Check Number | Dollar Amount |
|---|-----------------------|--------------|------------|--------------------|------------|--------------------------------|------------|------------|--------------|---------------|
| 1st application 2000 Caribbean Audit        | 1-1-01 Thru 7-31-01   | 19,000       | 0          | September 18, 2001 | 3125       | October 10, 2001               | 3203       | 10/22/2001 | 706634       | 3,800.00      |
| 1st application 2000 Payroll Tax            | 1-1-01 Thru 6-30-01   | 20,000       | 0          | September 18, 2001 | 3124       | October 10, 2001               | 3202       | 10/22/2001 | 706633       | 4,000.00      |
| 5th/Final application 2000 Audit            | 4-1-01 Thru 5-31-01   | 271,905      | 2,655      | September 21, 2001 | 3141       | April 23, 2002                 | 4422       | 4/30/2002  | 728160       | 118,226.60    |
| 1st application 2001 Tax Out-of-Scope       | 1-1-01 Thru 4-30-01   | 256,420      | 9,249      | September 21, 2001 | 3140       | October 15, 2001               | 3247       | 10/22/2001 | 706632       | 51,284.00     |
| 7th application 2001 Tax Outsourcing        | 7-1-01 Thru 8-31-01   | 181,281      | 119        | October 8, 2001    | 3191       | November 11, 2001              | 3327       | 11/26/2001 | 709324       | 36,256.20     |
| 1st application 2001 Internal Audit         | 1-1-01 Thru 6-30-01   | 298,147      | 16,669     | October 26, 2001   | 3292       | November 16, 2001              | 3376       | 12/3/2001  | 710718       | 59,629.40     |
| 1st application 2001 ISAAS                  | 7-1-01 Thru 9-30-01   | 123,479      | 11,002     | October 26, 2001   | 3293       | November 16, 2001              | 3375       | 12/3/2001  | 710717       | 24,695.80     |
| 1st application 2001 Transfer Pricing       | 1-1-01 Thru 9-30-01   | 48,721       | 0          | October 30, 2001   | 3298       | November 29, 2001              | 3414       | 12/10/2001 | 712478       | 10,104.20     |
| 1st application 2001 GEMS                   | 1-1-01 Thru 9-30-01   | 5,500        | 0          | October 30, 2001   | 3299       | November 29, 2001              | 3415       | 12/10/2001 | 712079       | 1,100.00      |
| 2nd application 2001 Tax Out-of-Scope       | 5-1-01 Thru 6-30-01   | 109,306      | 2,626      | November 14, 2001  | 3360       | December 10, 2001              | 3458       | 12/27/2001 | 713348       | 21,861.20     |
| 1st/Final application 2001 Quarterly Review | 1-1-01 Thru 10-31-01  | 175,540      | 3,960      | November 28, 2001  | 3451       | April 23, 2002                 | 4423       | 4/30/2002  | 728162       | 35,108.00     |
| 8th application 2001 Tax Outsourcing        | 9-1-01 Thru 9-30-01   | 90,079       | 621        | December 17, 2001  | 3482       | April 23, 2002                 | 4421       | 4/30/2002  | 728161       | 18,015.80     |
| 9th application 2001 Tax Outsourcing        | 10-1-01 Thru 10-31-01 | 90,462       | 238        | January 10, 2002   | 3821       | February 7, 2002               | 3968       | 2/18/2002  | 382219       | 18,092.40     |
| 10th application 2001 Tax Outsourcing       | 11-1-01 Thru 11-30-01 | 90,661       | 39         | January 10, 2002   | 3822       | February 7, 2002               | 3969       | 2/18/2002  | 382210       | 18,132.20     |
| 11th/Final application 2001 Tax Outsourcing | 12-1-01 Thru 12-28-01 | 90,549       | 151        | February 15, 2002  | 4015       | March 13, 2002                 | 4208       | 3/22/2002  | 723273       | 18,109.80     |
| 2nd/Final application 2000 Payroll Tax      | 7-1-01 Thru 12-28-01  | 20,000       | 0          | February 19, 2002  | 4027       | March 13, 2002                 | 4210       | 4/8/2002   | OA-97007     | 4,000.00      |
| 2nd/Final application 2001 Transfer Pricing | 10-1-01 Thru 12-28-01 | 10,508       | 0          | March 4, 2002      | 4168       | March 28, 2002                 | 4299       | 4/9/2002   | 725695       | 2,101.60      |
| 3rd application 2001 Tax Out-of-Scope       | 7-1-01 Thru 9-30-01   | 352,545      | 8,796      | March 4, 2002      | 4169       | March 28, 2002                 | 4300       | 4/9/2002   | 725696       | 70,509.00     |
| 1st application 2002 Tax Outsourcing        | 1-1-02 Thru 1-31-02   | 90,227       | 1,923      | March 28, 2002     | 4294       | April 18, 2002                 | 4395       | 4/29/2002  | 727843       | 18,045.40     |
| 1st application 2001 Audit                  | 6-1-01 Thru 1-31-02   | 452,533      | 21,866     | March 28, 2002     | 4295       | April 18, 2002                 | 4397       | 4/29/2002  | 727844       | 90,506.60     |
| 4th/Final 2001 Tax Out-of-Scope             | 10-1-01 Thru 12-28-01 | 206,763      | 3,168      | April 15, 2002     | 4368       | May 7, 2002                    | 4470       | 6/5/2002   | 388016       | 41,352.96     |
| 1st application 2002 Payroll Tax            | 1-1-02 Thru 4-30-02   | 13,333       | 0          | May 21, 2002       | 4529       | May 21, 2002                   |            |            |              | 13,333.00     |
| 2nd application 2002 Tax Outsourcing        | 2-1-02 Thru 3-1-02    | 90,806       | 1,344      | May 21, 2002       | 4530       |                                |            |            |              | 92,150.00     |
| 2nd application 2001 Audit                  | 2-1-02 Thru 4-30-02   | 473,835      | 15,791     | June 11, 2002      | 4615       |                                |            |            |              | 489,626.00    |
| 1st application 2002 Inventory Observation  | 1-1-02 Thru 4-30-02   | 43,435       | 5,669      | June 11, 2002      | 4616       |                                |            |            |              | 49,104.00     |
| 1st application 2002 Internal Audit         | 1-1-02 Thru 4-30-02   | 46,627       | 3,425      | June 21, 2002      | 4636       |                                |            |            |              | 50,052.00     |
| 1st application 2002 Quarterly Review       | 1-1-02 Thru 4-30-02   | 39,235       | 1,765      | June 21, 2002      | 4635       |                                |            |            |              | 41,000.00     |
| 3rd application 2002 Tax Outsourcing        | 3-2-02 Thru 4-30-02   | 182,790      | 1,510      | June 21, 2002      | 4638       |                                |            |            |              | 184,300.00    |
| 1st application Retirement Savings Plan     | 1-1-01 Thru 10-31-01  | 40,000       | 1,711      | June 21, 2002      | 4637       |                                |            |            |              | 41,711.00     |
| 1st application 2002 Tax Out-of-Scope       | 1-1-02 Thru 2-28-02   | 195,805      | 5,189      |                    |            |                                |            |            |              | 201,004.00    |
| 2nd application 2002 Tax Out-of-Scope       | 3-1-02 Thru 4-30-02   | 209,208      | 12,052     |                    |            |                                |            |            |              | 221,260.00    |
|   |                       | 9,311,036.00 | 475,192.00 |                    |            |                                |            |            |              | 2,102,534.16  |

# **Exhibit II**



IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

-----X  
In re: :  
: Chapter 11  
: FRUIT OF THE LOOM, INC., et al., : Case No. 99-4497 (PJW)  
: :  
: Jointly Administered  
Debtors. :  
-----X

**ORDER, UNDER 11 U.S.C. § 327(a) AND FED. R. BANKR. P. 2014  
AND 5002, AUTHORIZING FRUIT OF THE LOOM TO EMPLOY AND  
RETAIN ERNST & YOUNG LLP AS TAX ACCOUNTANTS AND AUDITORS**

Upon consideration of the Application of Fruit of the Loom, Inc. and its affiliated debtors and debtors-in-possession in the above-captioned cases (collectively, "Fruit of the Loom"), seeking entry of an order authorizing Fruit of the Loom to employ and retain Ernst & Young LLP ("E&Y") as their tax accountants and auditors (the "Application"); and upon the affidavit of James Doyle (the "Doyle Affidavit"); and the Court being satisfied, based on the representations made in the Application and the Doyle Affidavit, that E&Y represents no interest adverse to Fruit of the Loom's estates with respect to the matters upon which they are to be engaged, that E&Y is a "disinterested person" as that term is defined under section 104(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code, and that the employment of E&Y is necessary and would be in the best interests of Fruit of the Loom, their creditors and estates; due and adequate notice of the Application having been given under the

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circumstances; and it appearing that this proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b); and after due deliberation and cause appearing therefor; it is hereby

ORDERED that the Application is granted; and it is further

ORDERED that Fruit of the Loom is authorized to employ and retain E&Y effective as of December 29, 1999 as their tax accountants and auditors on the terms set forth in the E&Y Agreements (as that term is defined in the Application); and it is further

ORDERED that E&Y shall be compensated in accordance with the terms of the E&Y Agreements, subject to the procedures set forth in the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Bankruptcy Rules, and the orders of this Court; and it is further

ORDERED, that notwithstanding any provision in the E&Y Agreements to the contrary, Court approval of the Termination Fee (as that term is used in the E&Y Agreements) shall be based upon the standards set forth in sections 327 and 330 of the Bankruptcy Code with the express reservation of rights by all interested parties, including the Official Committee of Unsecured Creditors and the Office of the United States Trustee, to object and be heard with respect to the approval of such Termination Fee; and it is further

ORDERED that nothing in this Order shall be deemed to waive the rights of any party that may be authorized by this Court

(after prior application is filed with the Court and properly noticed on Fruit of the Loom's counsel) to investigate and prosecute claims (if any) under section 547 of the Bankruptcy Code against E&Y with respect to payments made by Fruit of the Loom to E&Y during the ninety (90) days immediately preceding the Petition Date; and it is further

ORDERED that, this Court shall retain jurisdiction to hear and determine all matters arising from the implementation of this Order.

Dated: Wilmington, Delaware  
Feb 23, 2000

  
 PETER J. WALSH, CHIEF JUDGE  
 UNITED STATES BANKRUPTCY COURT

*W.C. Parrick, Esq., U.S. Trustee 2/23/00*

Objection Deadline: February 2, 2000 @ 4:00 p.m.  
Hearing Date: Only if Objections are filed  
(Negative Notice)

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re: ) Chapter 11  
)  
FRUIT OF THE LOOM, INC., *et al.*, ) Case No. 99-4497 (PJW)  
)  
Debtors. ) Jointly Administered

**APPLICATION FOR AUTHORITY TO RETAIN AND  
EMPLOY ERNST & YOUNG LLP AS TAX ACCOUNTANTS AND AUDITORS**

Fruit of the Loom, Inc., a Delaware corporation, and its affiliated debtors<sup>1</sup> (collectively with Fruit of the Loom, Inc. (a Delaware corporation), the "Debtors," "Fruit of the Loom," or the "Company"), hereby move this Court, pursuant to sections 327(a) and 328 of title 11 of the United States Code (the "Bankruptcy Code") and Rule 2014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") for authority to retain Ernst & Young LLP ("E&Y") as Tax Accountants and Auditors for the Debtors. In support of this application (the "Application"), the Debtors respectfully represent as follows:

<sup>1</sup> The affiliated debtors include Fruit of the Loom, Ltd., NWI Land Management Corp., Union Underwear Company, Inc., Aliceville Cotton Mill Inc., Fruit of the Loom Arkansas, Inc., The B.V.D. Licensing Corp., FOL Caribbean Corp., Fayette Cotton Mill, Inc., Fruit of the Loom, Texas, Inc., Fruit of the Loom Caribbean, Inc., FTL Sales Company, Inc., Union Yarn Mills, Inc., Greenville Manufacturing, Inc., Winfield Cotton Mill, Inc., Martin Mills, Inc., Leesburg Knitting Mills, Inc., Salem Sportswear Corporation, Rabun Apparel, Inc., Whitmire Manufacturing, Inc., Fruit of the Loom, Inc. (a New York corporation), ProPlayer, Inc., Gitano Fashions Ltd., Jet Sew Technologies, Inc., Union Sales, Inc., Artex Manufacturing Co., Inc., FTL Investments, Inc., FTL Regional Sales Co., Inc., Leesburg Yarn Mill, Inc., Salem Sportswear, Inc., Fruit of the Loom Trading Company, DeKaib Knitting Corp., FTL Systems, Inc., and Sherman Warehouse Corp.

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### Introduction

1. On December 29, 1999 (the "*Petition Date*"), the Debtors commenced their reorganization by each filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code. The Debtors continue to operate their businesses and manage their property as debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code.

2. An official committee of unsecured creditors was appointed in these cases on January 10, 2000.

3. This Court has jurisdiction over this Application pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

4. The statutory predicates for the relief requested herein are sections 327(a) and 328 of the Bankruptcy Code and Bankruptcy Rule 2014.

### Background

5. Fruit of the Loom is an international, vertically integrated basic apparel manufacturer operating in over 60 countries worldwide and emphasizing branded products for consumers ranging from infants to senior citizens. Fruit of the Loom is one of the largest producers of men's and boys' underwear, activewear for the screenprint T-shirt and fleece market, women's and girls' underwear, casualwear, women's jeanswear, and childrenswear, selling products principally under the FRUIT OF THE LOOM®, BVD®, SCREEN STARS®, BEST™, MUNSINGWEAR®, WILSON®, GITANO®, and CUMBERLAND BAY™ brand names. In addition to undecorated products, Fruit of the Loom offers underwear, sportswear, and T-shirts decorated with licensed characters, including STAR WARS™, BATMAN™, SUPERMAN™, SPIDERMAN™, LOONEY TUNES™, SESAME STREET™, SCOOBY-DOO™, WOODY WOODPECKER™, CURIOUS GEORGE™, AND TELETUBBIES™. Under the PRO PLAYER® and FANS GEAR® brands, Fruit of the Loom also designs, manufactures, and markets licensed sports apparel bearing the names, tradenames, and logos

of the National Football League, the National Basketball Association, Major League Baseball, and the National Hockey League, professional sports teams, and many colleges and universities, as well as the likenesses of certain professional athletes.

6. Fruit of the Loom is a fully integrated manufacturer, performing most of its own spinning, knitting, cloth finishing, cutting, sewing, and packaging. Fruit of the Loom's management (the "*Management*") considers Fruit of the Loom's primary strengths to be its excellent brand recognition, low cost production resulting primarily from the offshore location of substantially all of its labor-intensive manufacturing operations, and strong relationships with major discount chains and mass merchandisers. The Management believes that consumer awareness of the value, quality, and competitive prices of products will benefit Fruit of the Loom in any retail environment where consumers are value conscious. This awareness has caused Fruit of the Loom to have strong net sales over the past several years (approximately \$2.4 billion of net sales in 1996, \$2.1 billion in 1997, \$2.2 billion in 1998, and projected net sales of \$2.0 billion in 1999).

7. Fruit of the Loom manufactures and markets basic family apparel with vertically integrated operations in the Americas (North America, Central America, and the Caribbean) and in Europe. North America is the principal market, accounting for more than 80% of consolidated net sales in each of the last three years. For the North American market, capital intensive spinning, knitting, and cutting operations are located in the United States. Labor intensive sewing and finishing operations are located in Central America and the Caribbean. For the European market, manufacturing operations are concentrated in Ireland, but labor intensive operations are being relocated to lower cost North African locations.

8. In North America, Fruit of the Loom is organized into three operating segments based on the products it offers. These segments are Retail Products, Activewear, and Licensed Sportswear. The Management allocates promotional efforts, working capital, and manufacturing and distribution capacity based on its assessment of segment operating results

and market conditions. In Europe, Fruit of the Loom is organized into a single geographic operating segment. Fruit of the Loom produces a different mix of garments in Ireland and North Africa for sale in Europe and employs an entirely separate management team to direct such production.

#### Events Leading Up to the Chapter 11 Filings

9. Fruit of the Loom's vertically-integrated organization historically has made it one of the lowest-cost producers in its industry. In an effort to further reduce its cost structure, Fruit of the Loom has relocated virtually all of its domestic sewing operations to the Caribbean basin. In 1998, over 95% of Fruit of the Loom-produced garments were sewn offshore, as compared to approximately 12% at the beginning of 1995. A number of difficulties attended this transition, perhaps because the transition proceeded too aggressively. Simultaneously, a significant number of new products were introduced, which introduction increased scheduling complexity and reduced production efficiencies. These production adjustments were exacerbated by a decision by prior management to reduce inventory levels. A number of textile plants were closed temporarily and, when production resumed, a high percentage of trained workers did not return. Many of these workers were eventually replaced with inexperienced workers which negatively impacted productivity and required a significant amount of training, thereby increasing direct costs. The deficiency in output from these plants and the unexpectedly strong demand for key retail and activewear products resulted in concomitant shortages of available products, which negatively impacted sales and required Fruit of the Loom to incur additional costs (including freight) in order to maintain service levels with its major accounts. To compensate, Fruit of the Loom increased its usage of external contractors, overtime labor, and time-sensitive and expensive methods of transporting materials and products, all of which resulted in significant manufacturing variances. Accordingly, Fruit of the Loom's financial performance in 1999 clearly reflects these production difficulties.

10. In response to these difficulties, an interim chief executive officer has been appointed and the former president and chief operating officer has rejoined the Company to develop and implement a turnaround plan. In addition, nine new executives in key operational areas have been appointed, including a new vice-president of manufacturing, a director and a vice-president of distribution, vice-presidents of turnkey sourcing, field sales, and human resources, and several new general managers. The new management team has addressed each of the operational issues described above, and has developed and begun to implement a plan to restore operating profitability to normalized levels over the next twelve months. Additionally, Fruit of the Loom retained the firm of Jay Alix & Associates to assist in its restructuring efforts. A number of key operational statistics have begun to improve in response to these changes.

11. Fruit of the Loom is confident in its ability to restore profitability, due, in large part, to the strong flow of orders it has maintained in key product areas from its largest customers throughout 1999. Fruit of the Loom's largest accounts have generally experienced high service levels as a result of Fruit of the Loom's emphasis on preservation of these relationships. Fruit of the Loom believes that the strength of its brands and its ability to supply national retailers with large quantities of high quality products have also insulated Fruit of the Loom from a significant erosion in sales. Because of the relatively stable revenue environment, the Management is able to concentrate on rectifying Fruit of the Loom's operational problems.

12. Fruit of the Loom is presently suffering a severe liquidity shortage. As partially described above, this shortage results from several different occurrences over the course of the last few years, which occurrences have caused Fruit of the Loom to consume extraordinary capital, including: (a) unprofitable acquisitions; (b) complications in moving production to offshore locations; (c) diminishing profits resulting from poor planning for



seasonal trends; and (d) certain unforeseen losses resulting from adverse outcomes in litigation.

13. In the ordinary course of its business, Fruit of the Loom builds up inventory in the first and fourth quarters of the calendar year, thereby consuming cash seasonally. Fruit of the Loom's liquidity crisis has hindered its ability to adequately build its inventory absent protection under chapter 11 of the Bankruptcy Code and debtor in possession financing. For these and other reasons, Fruit of the Loom has determined that bankruptcy protection for the Debtors is the best method by which they may preserve their going-concern enterprise value for the benefit of their customers, employees, vendors, creditors, and shareholders.

#### Pre-Petition Financing

14. The Debtors are parties to a myriad of prepetition financing arrangements, including senior secured debt,<sup>2</sup> publicly-issued debt,<sup>3</sup> an accounts-receivable securitization facility (the "*Securitization Facility*"), a "synthetic" lease of certain equipment (the "*Synthetic Lease*"), and various tax-exempt agreements with public entities (the "*Tax-Exempt Agreements*").

#### Relief Requested

15. By this Application, the Debtors seek to employ and retain E&Y pursuant to sections 327 and 328 of the Bankruptcy Code as their tax accountants and auditors during these chapter 11 cases.

16. E&Y is one of the nation's leading professional firms providing accounting, consulting, tax and other services. E&Y has extensive experience in bankruptcy proceedings under chapter 11 of the Bankruptcy Code, advising debtors, creditors and other parties-in-

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2 Those parties to whom the Debtors are indebted by virtue of its primary, prepetition senior secured debt facility are hereinafter referred to as the "*Prepetition Lenders*."

3 Those parties to whom the Debtors are indebted by virtue of prepetition publicly-issued debt are hereinafter referred to as the "*Bondholders*."

interest. The Debtors seek to retain E&Y because of E&Y's experience in reorganization cases, familiarity with the Debtors and their operations and E&Y's ability to perform the services needed, effectively, expeditiously and efficiently for the benefit of the Debtors.

17. The Debtors have previously employed E&Y for the past 15 years as their tax accountants and auditors for most of the same services contemplated herein. On account of this previous employment by the Debtors, E&Y has a great deal of institutional knowledge of the Debtors and is already familiar with the Debtors' business affairs to the extent necessary for the scope of the proposed and anticipated services. Accordingly, the Debtors believe that E&Y's retention is in the best interests of the Debtors, their estates, creditors and other parties in interest.

18. The services proposed to be rendered by E&Y are necessary to enable the Debtors to maximize the value of their estates and to reorganize successfully.

19. The Debtors believe that E&Y is well qualified and able to represent the Debtors in a cost-effective, efficient, and timely manner and is essential for the Debtors to be able to operate and meet their ongoing tax and reporting requirements.

#### Scope of Services

20. Pursuant to certain engagement letters between Fruit of the Loom, Inc. (a Delaware corporation) and E&Y which are attached hereto as Exhibits B-1, B-2, and B-3 (the "*E&Y Agreements*"), E&Y will provide such accounting and auditing and tax services for the Debtors as described in detail in the E&Y Agreements during the course of these chapter 11 cases, including, but not limited to, the following services:

- a) assist and advise the Debtors with respect to general tax matters, prepare Federal and state corporate income tax returns, review and evaluate proposed income tax assessments, represent the Debtors before taxing authorities, and provide additional tax services as requested by the Debtors ("*Tax Accounting Services*");

- b) auditing the annual consolidated financial statements for Fruit of the Loom, Inc. (Delaware) and Fruit of the Loom, Ltd., review of the quarterly filings for Fruit of the Loom, Inc. (Delaware) and Fruit of the Loom, Ltd. and other auditing services in connection therewith, as requested by the Debtors ("*External Audit Services*");
- c) Internal Audit Services ("*Internal Audit Services*"); and
- d) consistent with the above, provide such other accounting, tax and consulting services as may be requested by the Debtors.

21. The Debtors believe that E&Y is well qualified and capable to represent the Debtors in a cost-effective, efficient, and timely manner. E&Y has indicated a willingness to act on behalf of the Debtors and to subject itself to the jurisdiction of this Court.

#### E&Y's Disinterestedness

22. To the best of E&Y's knowledge, the principals and professionals of E&Y do not have any adverse connection with the Debtors, their estates, the Debtors' creditors or any other party-in-interest or their respective attorneys and accountants, the United States Trustee or any person employed in the office of the United States Trustee, except as set forth herein and in the Affidavit of James Doyle in Accordance with section 1103 of the Bankruptcy Code and Bankruptcy Rule 2014, (the "*Doyle Affidavit*"), a copy of which is attached hereto as Exhibit A and incorporated herein by reference. In addition, E&Y and its principals and professionals are "disinterested persons" as that term is defined in section 101(14) of the Bankruptcy Code, as modified by section 1107(b) of the Bankruptcy Code. To the best of the Debtors' knowledge, E&Y is not currently retained by any creditor or party-in-interest in this case.

#### Compensation

23. Section 328(a) of the Bankruptcy Code authorizes the employment of a professional person on any reasonable terms and conditions of employment, including on an hourly basis. *See* 11 U.S.C. § 328(a). Subject to this Court's approval, in accordance with

sections 330 and 331 of the Bankruptcy Code, the Bankruptcy Rules and the Local Rules, compensation will be payable to E&Y on an hourly basis. The hourly rates payable to E&Y for each of the contemplated services are currently as follows:

|  |                         |                                |                |
|--|-------------------------|--------------------------------|----------------|
| <u>Internal Audit Services</u>             |                         |                                |                |
|  | Partners and Principals |                                | \$376 to \$450 |
|  | Senior Managers         |                                | \$252 to \$375 |
|  | Managers                |                                | \$197 to \$272 |
|  | Seniors                 |                                | \$126 to \$203 |
|  | Staff                   |                                | \$89 to \$124  |
| <u>Tax Accounting Services<sup>4</sup></u> |                         | <u>External Audit Services</u> |                |
| Partner and Principals                     | \$490 to \$600          | Partners and Principals        | \$470 to \$600 |
| Senior Managers                            | \$435 to \$505          | Senior Managers                | \$325 to \$505 |
| Managers                                   | \$330 to \$397          | Managers                       | \$253 to \$397 |
| Seniors                                    | \$215 to \$306          | Seniors                        | \$162 to \$261 |
| Staff                                      | \$169 to \$193          | Staff                          | \$115 to \$159 |

These hourly rates are subject to periodic adjustments to reflect economic and other conditions.

24. For Tax Accounting Services including, but not limited to, projects relating to tax compliance services, representation before taxing authorities, tax accounting analyses and other tax projects that E&Y anticipates will require less than 10 hours of work per project, E&Y will be paid \$1,050,000 per year, inclusive of all expenses and subject to certain adjustments.

25. In addition to the fees described above, subject to this Court's approval, E&Y will receive reimbursement, pursuant to the terms of the E&Y Agreements that provide for Internal Audit Services and External Audit Services, for all reasonable out-of-pocket expenses incurred in connection with the Internal Audit Services and the External Audit Services. E&Y

<sup>4</sup> These hourly rates will apply for general tax consulting projects performed by E&Y that will require in excess of 10 hours of time.

intends to apply to the Court for allowance of compensation for professional services rendered and reimbursement of expenses incurred in these chapter 11 cases in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the local rules and any orders of this Court.

#### Nunc Pro Tunc Approval

26. The Debtors request that E&Y's retention be approved *nunc pro tunc* to the Petition Date. In extraordinary circumstances, a "bankruptcy court has discretion within its equity powers to enter an order *nunc pro tunc* authorizing the employment of a professional for the debtor." Carlson v. Burns Nat'l Bank of Durango (In re Ewing), 54 B.R. 952, 954-55 (D. Colo. 1985); see Land v. First Nat'l Bank of Alamosa (In re Land), 943 F.2d 1265, 1267-68 (10<sup>th</sup> Cir. 1991). Here, the Debtors have received the benefit of E&Y's services, and it would be inequitable to allow their estates and creditors to be unjustly enriched by retaining this benefit without compensating E&Y. See In re First Sec. Mortgage Co., 117 B.R. 1001, 1007-08 (Bankr. N.D. Okla. 1990). Furthermore, because of the necessity of the immediate installation of an accountant and auditor for the contemplated services, E&Y "was under time pressure to begin service without approval." In re Arkansas Co., 798 F.2d 645, 650 (3d Cir. 1986).

#### Notice

27. The Debtors have provided notice of this Application to the (a) the Office of the United States Trustee, (b) counsel for the agent under the Debtors' secured bank credit facility; (c) the Indenture Trustees under each of the Debtors' four indentures; (d) counsel for an ad hoc committee of Bondholders; (e) counsel for the agent of the Synthetic Lease lenders; (f) counsel for the agent for the lenders under a loan to William Farley that was guaranteed by certain of the Debtors; (g) counsel for William Farley; (h) counsel for the lenders under the Debtors' postpetition credit facility; (i) counsel for the Official Committee of Unsecured Creditors; (j) the Office of the United States Attorney for the District of Delaware; (k) the

United States Environmental Protection Agency; and (l) the Securities and Exchange Commission, and all parties having filed notices of appearance in these cases.. In light of the nature of the relief requested, the Debtors submit that no further notice is necessary.

28. No previous request for the relief sought in this Application has been made to this Court or any other court.

WHEREFORE, the Debtors respectfully request that the Court enter the attached order authorizing the Debtors to employ and retain E&Y as tax accountants and auditors pursuant to the terms of the E&Y Agreements as set forth herein, and granting the Debtors such other relief as is just.

Dated: Wilmington, Delaware  
January 18, 2000

**FRUIT OF THE LOOM, INC., a Delaware  
Corporation, and its Affiliated Debtors**

By: Mark K. Thomas  
One of Their Attorneys

Mark K. Thomas  
Jeff J. Marwil  
Brian I. Swett  
Harley J. Goldstein  
KATTEN MUCHIN ZAVIS  
525 West Monroe Street  
Suite 1600  
Chicago, Illinois 60661  
(312) 902-5200

and

Norman L. Pernick (No. 2290)  
Mark Minuti (No. 2659)  
J. Kate Stickles (No. 2917)  
Saul, Ewing, Remick & Saul, LLP  
222 Delaware Avenue, Suite 1200  
Wilmington, Delaware 19801  
(302) 421-6876

ATTORNEYS FOR DEBTORS AND  
DEBTORS-IN-POSSESSION