UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	X	
PLAID CLOTHING GROUP INC., *et al.*,	:	Chapter 11 Case No. 95 B 43065 (PBA)
	:	Jointly Administered
Debtors.	:	
	X	

FINAL APPLICATION FOR COMPENSATION
BY THE BLACKSTONE GROUP L.P.
FINANCIAL ADVISORS FOR THE DEBTORS

TO THE HONORABLE PRUDENCE BEATTY
UNITED STATES BANKRUPTCY JUDGE:

This final fee application of The Blackstone Group L.P. ("Blackstone"), financial advisors to Plaid Clothing Group Inc., Debtors and Debtors-in-possession ("Plaid"), for itself and on behalf of the other Debtors and Debtors-in-possession herein (collectively, the "Debtors"), respectfully represents:

1. Pursuant to the Order of the Court dated July 19, 1995 (the "First Retention Order"), Blackstone was retained as financial advisors to the Debtors as per that certain agreement accepted and agreed to as of July 14, 1995 (the "First Engagement Letter") between Plaid and Blackstone.

Pursuant to the Order of the Court dated September 20, 1995 (the "Second Retention Order"), Blackstone was retained as financial advisors to the Debtors as per that certain agreement accepted and agreed to as of September 19, 1995 (the "Amended Engagement

Letter" and, collectively with the First Engagement Letter, the "Engagement Letter."). A copy of the Amended Engagement Letter is attached in Annex A.

Pursuant to the Order of the Court dated December 1, 1995 (the "Third Retention Order"), Blackstone was retained as financial advisors to the Debtors as per the Amended Engagement Letter.

Pursuant to the Order of the Court dated March 28, 1996 (the "Fourth Retention Order"), Blackstone was retained as financial advisors to the Debtors as per the Amended Engagement Letter.

Pursuant to the Order of the Court dated June 1, 1996 (the "Fifth Retention Order"), Blackstone was retained as financial advisors to the Debtors as per the Amended Engagement Letter.

Pursuant to the Order of the Court dated September 11, 1996 (the "Sixth Retention Order"), Blackstone was retained as financial advisors to the Debtors as per the Amended Engagement Letter. A copy of the Sixth Retention Order is attached in Annex B.

2. Background of Case

Plaid Clothing Group was a leading maker of men's tailored clothing, manufacturing and marketing products under such established brands as Burberrys, Claiborne, Evan-Picone, and Palm Beach. Faced with declining financial performance, high levels of indebtedness and mounting liquidity constraints, Plaid filed for Chapter 11 protection under the United States Bankruptcy Code on July 17, 1995. The Blackstone Group was retained by the Debtors' as their financial advisor prior to the filing date, which retention was continued during the Debtors' bankruptcy cases pursuant to the Engagement Letter and as per the Retention Orders. During the Debtors' bankruptcy cases, the Debtors, with the assistance of Blackstone and the Debtors' other professionals, implemented a wide variety of operational initiatives designed to increase revenues, reduce operating expenses and reduce working capital requirements. These initiatives included, but were not limited to, facility closings and relocations, sale of non-core subsidiaries such as Calvin Youthwear, sale of excess inventories, headcount reductions, divisional realignments and senior management changes. While these initiatives improved the Debtors' financial performance and reduced borrowing levels under the Debtors' senior secured DIP facilities, the Debtors, with the concurrence of their Creditors' Committee, determined that a sale of substantially all of the Debtors' assets would maximize the recoverable value to the estate. To this end, the Debtors, with the assistance of Blackstone and the other professionals in the case, negotiated and executed a sale of substantially all of the Debtors' assets to Hartmarx Corporation in November 1996.

3. Pursuant to the Engagement Letter, this is the final application of Blackstone for an allowance of compensation and reimbursement of expenses under Section 331 of the Bankruptcy Code, and it reflects services rendered in the interim periods July 17, 1995 through October 31, 1995 (the "First Interim Period"), November 1, 1995 through February 28, 1996 (the "Second Interim Period"), March 1, 1996 through October 31, 1996 (the "Third Interim Period") and November 1, 1996 through November 30, 1996. (the "Fourth Interim Period"). These periods are collectively referred to as the

"Engagement Period". A summary of the fees earned, expenses incurred and hours worked is presented below:

Interim Period	Fees Earned	Expenses Incurred	Hours Worked
First Interim Period	$300,000.00	$12,304.58	1,441.5
Second Interim Period	$400,000.00	$10,278.58	1,275.0
Third Interim Period	$650,000.00	$35,739.80	2,520.5
Fourth Interim Period	$75,000.00	$20,593.97	313.5
Total	$1,425,000.00	$78,916.93	5,550.5

4. Scope of Employment

Under the terms of the Engagement Letter, the financial advisory services to be rendered by Blackstone to the Debtors included, but were not limited to the following:

(i) assistance in the development of and review of the Debtors' business plan and related financial projections;

(ii) assistance in the development of financial data and reports for presentation to the Debtors' creditors' committee, other creditors, shareholders and Board of Directors;

(iii) liaison with the creditors' committee and other creditor groups and their respective professional advisors;

(iv) assistance, as required, in connection with claims analysis and reconciliation;

(v) preparation of financial data and reports, as directed, relating to proceedings, hearings and meetings in the Bankruptcy Court or in connection with the requirements of the United States Trustee under the Bankruptcy Code commenced by the Debtors or otherwise;

(vi) evaluation of the Debtors' debt capacity;

(vii) valuation of the businesses and any securities to be issued with connection with a plan of reorganization;

(viii) assistance in refinancing the existing debtor-in–possession financing arrangements;

(ix) consultation as to all financial matters concerning the Debtors' obligations, duties and alternatives under the United States Bankruptcy Code and applicable rules in the prosecution of the chapter 11 cases; and

(x) such other matters as the Debtors may reasonably request in respect of its financial affairs.

5. Summary of Fees and Expenses

For financial services provided to the Debtors during the Engagement Period, Blackstone respectfully requests (i) final approval for $1,503,916.93 consisting of $1,425,000.00 in fees and $78,916.93 in expenses and (ii) payment of $385,170.75 consisting of $383,750.00 in fees and $1,420.75 in expenses. The fees and expenses for the Engagement Period are summarized in the table below.

	Amounts Earned or Incurred			Amounts Still Owing		
Period	**Fees**	**Expenses**	**Total**	**Fees**	**Expenses**	**Total**
Aug-95	100,000.00	3,866.42	103,866.42	-	-	-
Sep-95	100,000.00	4,531.56	104,531.56	-	-	-
Oct-95	100,000.00	3,906.60	103,906.60	-	-	-
Nov-95	100,000.00	3,156.98	103,156.98	-	(24.02)	(24.02)[1]
Dec-95	100,000.00	3,743.78	103,743.78	-	(690.22)	(690.22)[2]
Jan-96	100,000.00	1,529.04	101,529.04	70,000.00	1,529.04	71,529.04
Feb-96	100,000.00	1,848.78	101,848.78	30,000.00	1,848.78	31,848.78
Mar-96	100,000.00	3,192.09	103,192.09	30,000.00	-	30,000.00
Apr-96	100,000.00	1,270.22	101,270.22	100,000.00	-	100,000.00
May-96	75,000.00[2]	927.85	75,927.85	22,500.00	-	22,500.00
Jun-96	75,000.00	3,402.00	78,402.00	22,500.00	-	22,500.00
Jul-96	75,000.00	2,836.84	77,836.84	22,500.00	-	22,500.00
Aug-96	75,000.00	15,141.83	90,141.83	22,500.00	-	22,500.00
Sep-96	75,000.00	5,629.08	80,629.08	22,500.00	-	22,500.00
Oct-96	75,000.00	3,339.89	78,339.89	22,500.00	-	22,500.00
Nov-96	75,000.00	18,626.39	93,626.39	18,750.00	-	18,750.00
Post Nov-96[3]	-	1,967.58	1,967.58	-	-	-
Total Fees and Expenses	**$1,425,000.00**	**$ 78,916.93**	**$1,503,916.93**	**$383,750.00**	**$ 2,663.58**	**$ 386,413.58**
Less: Adjustment for Pre-Petition Expense Deposit					(1,242.83)	(1,242.83)
Total Payment Requested				**$383,750.00**	**$ 1,420.75**	**$ 385,170.75**

Under the Engagement Letter, Blackstone earned a monthly fee of $100,000.00. However, due to the Debtors' fragile liquidity status, Blackstone unilaterally reduced its monthly fee to $75,000.00 beginning in May 1996, even though the work required continued at a heavy pace. Therefore, relative to amounts otherwise due under the

[1] Due to confusion in the billing of expenses, the Debtors have overpaid with respect to these months and are credited for that.

[2] Blackstone voluntarily reduced its monthly fee to $75,000 beginning May 1996.

[3] These expenses were incurred prior to the end of the Fourth Interim Period and were approved as part of the Fourth Interim Period fee application.

Engagement Letter, Blackstone has already reduced its monthly fees by $175,000 or approximately 11% during the Debtors' bankruptcy cases.

6. Services Rendered/Task Analysis

The financial services rendered by Blackstone during the Engagement Period are discussed in the task analysis below. Blackstone recognizes that fee applications filed with the Court customarily include both hours expended and dollar amounts associated with each of the categories included in a task analysis. However, as evident by the terms of the Engagement Letter, it is not possible for Blackstone to provide dollar amounts because it does not have hourly rates for any of its professionals. In the Debtors' case, Blackstone is compensated based upon a base Monthly Fee, as defined in the Engagement Letter and as approved by the Court and the Office of the U.S. Trustee. Pursuant to the terms of the Engagement Letter and the Retention Orders, Blackstone maintained contemporaneous time records, detailed in 1/2 hour increments. A detailed, chronological list of the hours expended by Blackstone professionals in providing financial advisory services to the Debtors during the Engagement Period is provided in Annex C.

Blackstone has categorized the time spent on the Debtors' case into certain project categories depending on the type of work that was performed. The project categories conform to those provided by in Exhibit A of the Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed under 11 U.S.C. §330 ("Trustee Guidelines") dated March 22, 1995 as prepared by the Executive Office for United States Trustees. The summary of task breakdown provided below is followed by a more detailed description of the specific activities included within each task category.

	Hours Worked By Category				
Task Category	**First Interim Period**	**Second Interim Period**	**Third Interim Period**	**Fourth Interim Period**	**Total**
Business Analysis	482.0	220.0	587.5	32.0	1,321.5
Financing	114.5	200.0	102.0	7.0	423.5
Corporate Finance	242.5	230.5	1,076.0	239.5	1,788.5
Financial Analysis	362.5	439.5	495.0	28.5	1,325.0
Meetings of Creditors	234.0	149.0	191.5	3.0	577.5
Fee/Employment Applications	6.5	36.0	68.5	6.5	117.5
Total	1,441.5	1,275.0	2,520.5	313.5	5,550.5

1. Business Analysis: 1,321.5 total hours

"Business Analysis" includes the following activities:

(i) reviewing the business of the Debtors which includes on-site due diligence visits and reviewing the Debtors detailed financial and operating statistics;

(ii) formulating inventory reduction plans;

(iii) helping develop shipping and inventory reports and forecasts;

(iv) assisting in the sale of excess inventory;

(v) helping the Debtors sell receivables from other distressed companies;

(vi) assisting in the hiring of a new CFO;

(vii) helping design and negotiate management severance and retention plans;

(viii) analyzing opportunities to reduce costs by implementing headcount reductions and facility consolidation;

(ix) reviewing the current and formulating potential business strategies for the Debtors; and

(x) discussions relating to the above activities the Debtors' senior management, the Creditors Committee, and other parties in interest.

2. Financing: 423.5 total hours

"Financing" includes the following activities:

(i) attending numerous meetings with the Debtors' pre-petition senior secured and initial DIP lenders, for whom Transamerica Corporation acted as agent;

(ii) negotiating the Debtors' initial DIP facility;

(iii) contacting numerous parties regarding a potential refinancing of the Debtors' initial DIP facility and negotiating the terms of the Debtors' replacement DIP facility with The CIT Group;

(iv) attending numerous meetings with The CIT Group and the Debtors' management regarding the status of operational restructuring initiatives, financial performance and corporate finance initiatives including the sale of substantially all of the Debtors' assets;

(v) negotiating several availability initiatives to enhance the Debtors' borrowing capacity and exploring various inventory financing alternatives with United Eastern Investment Corp., Burlington Industries, Hartmax Corporation, and The CIT Group;

(vi) developing a list of potential third-parties willing to provide financing to the Debtors upon its emergence from Chapter 11; and

(vii) discussions relating to the above activities with the Debtors' senior management, the Creditors' Committee and other parties in interest.

3. Meetings of Creditors: 577.5 total hours

"Meetings of Creditors" includes:

(i) preparing for and attending meetings and conference calls with the Creditors' Committee;

(ii) meeting with and discussing with BDO Seidman, the accountants to the Creditors' Committee, a wide variety of analyses, including but not limited to:

a) One year financial projections

b) Long-term financial projections

c) Analyses of the impact of various operating initiatives, including facility closures, inventory reductions, sale of subsidiaries and organizational realignment

d) Liquidation analyses

e) Analyses of potential recoveries to creditors

(iii) participating in numerous conversations with the Creditor's Committee legal advisors, Hahn & Hessen;

(iv) participating in numerous conversations with Berlack, Israels & Liberman, the legal advisors to the sub-committee of holders of Plaid's 11% Senior Subordinated Notes due 2003, to review all aspects of the bankruptcy process; and

(v) participating in numerous conversations with the Creditor's Committee M&A advisors, the Gordian Group, regarding the status of efforts to sale substantially all of Plaid's assets.

4. Corporate Finance:	1,788.5 total hours

"Corporate Finance" includes:

(i) managing a sale process for the Debtors' Calvin Youthwear subsidiary, including:

a) preparation of marketing materials

b) assembly of due diligence information

c) contacting various potential purchasers and conducting due diligence visits with those purchasers

d) negotiating definitive documentation with the winning bidder

(ii) managing a process to sell substantially all of the Debtors' assets to Hartmarx Corporation, including:

a) preparing an offering memorandum

b) assembling promotional, marketing and due diligence materials

c) reviewing the confidentiality agreement used with potential bidders

d) identifying and contacting numerous potential bidders

e) negotiating with various potential bidders the terms of preliminary and final offers and definitive documentation

f) developing bidding procedures

g) analyzing an asset versus a stock purchase of the Debtors

h) assisting in negotiating the transfer of various clothing manufacturing and marketing licenses as part of the sale process

i) making presentations regarding the M&A process to members of management, the Board of Directors, the Special Committee of the Board and the Creditors' Committee; and

j) providing expert witness testimony in support of a sale transaction before the Bankruptcy Court.

5. Financial Analysis and Valuation:	1,325 total hours

"Financial Analysis" includes:

(i) reviewing the Debtors' existing cash collateral budget;

(ii) assessing the merits of extending the Debtors' cash collateral budget;

(iii) developing an alternative cash collateral budgeting method that would enable a more accurate assessment of the Debtors' operating cash flow;

(iv) analyzing existing 1995 and 1996 management projections;

(v) preparing detailed financial projections of the Debtors' business for the purpose of formulating the plan of reorganization;

(vi) in-depth research and financial analysis of the Debtors' industry and the Debtors' primary competitors for purpose of developing financial projections;

(vii) preparing analyses relating to the Debtors' revenues, expenses, historic operating cash flows, and current and projected head count;

(viii) preparing a discounted cash flow valuation of the Debtors based on the Debtors' projections;

(ix) preparing an analysis of financial capacity of the Debtors to support debt upon emergence from Chapter 11 for the purpose of forming the reorganization plan;

(x) preparing a public market multiple valuation of the Debtors based on the relative trading value of the Debtors' primary competitors;

(xi) conducting meetings and conference calls and undertaking financial analysis with Plaid's management in conjunction with the preparation of a liquidation analysis and the break-up of various divisions into stand-alone entities; and

(xii) analyzing administrative claims

6. Fee/Employment Applications: 117.5 total hours

"Fee/Employment Applications" includes the preparation of Blackstone's interim fee applications, including:

(i) drafting the text of the application, including the preparation of a detailed task analysis and a section outlining the corresponding impact on the estate of the completion of these tasks;

(ii) preparing and formatting a list of hours included in chronological order, by activity, and in summary form; and

(iii) preparing a schedule of expenses.

No time is included in this application for the preparation of this application.

7. Expenses Incurred

Blackstone respectfully requests allowance of its out-of-pocket expenses incurred in connection with its performance of services for the Debtors in the aggregate amount of $78,916.93. Blackstone respectfully requests payment of $1,420.75 in expenses, which represents the portion of Blackstone's total requested expenses that have not yet been paid by the Debtors. Both summaries and details of expenses are presented in Annex D.

Out-of-pocket expenses incurred by Blackstone are charged to a client if the expenses are incurred for the client or are otherwise necessary in connection with services rendered for such particular client. Blackstone does not factor general overhead expenses into disbursements charged to its clients in connection with Chapter 11 cases. Blackstone bills outgoing long-distance facsimile charges at a rate of $1.25 per page. Blackstone does not bill local facsimile charges to clients or for in-bound facsimiles. Blackstone charges $0.20 per page for internal photocopying. Blackstone's general policy permits its professionals to bill lunch or dinner meals to a client if the professional was required to provide services to the client during such meal time. Blackstone professionals are permitted to order meals in the office if the professional was required to work after 8:00 p.m. Blackstone's general policy enables employees to travel by car service and/or taxi to and from meetings while rendering services to client on a client-related matter, for which the client is charged. Further, Blackstone professionals are permitted to charge travel expenses to a client as long as the professional is traveling after 8:00 p.m. or on the weekend. Messengers and couriers are used by Blackstone to deliver hardcopy documents relating to the client matter which require receipt on an expedited basis. Any charges for messengers and couriers are billed to client at cost. <u>All airfare charges are billed based on coach rates</u>. To the extent that a first class ticket was used, Blackstone charged the estate at the full-fair coach rate applicable at that time for that flight. Blackstone's billed expense include costs associated with the retrieval of public financial documents, and industry publications from third-party organizations.

At the time Blackstone was initially retained by the Debtors during the pre-petition period, Blackstone was paid a $10,000.00 deposit to be used for out-of-pocket expenses. Blackstone incurred certain expenses totaling $8,757.17 during its work with the Debtors during pre-petition periods, which were netted against the deposit. The remaining $1,242.83 of the deposit has been credited against outstanding post-petition expenses (see table on page 6), thereby reducing amounts for which reimbursement is being sought during the Debtors' bankruptcy cases.

Blackstone respectfully submits that the expenses for which it seeks allowance are necessary and reasonable both in scope and amount.

8. Qualifications of Blackstone Professionals

The financial services set forth above were performed primarily by: Arthur Newman, Senior Managing Director; Timothy Coleman, Managing Director; Paul Huffard, Vice President; Shervin Korangy, Analyst; Brian Spector, Analyst; Hwan-Yoon Chung, Analyst; and other professionals, as needed, of Blackstone. Details of the background and experience of the professionals are provided in Annex E. The following table provides the number of hours expended by each of the above professionals in providing financial advisory services to the Debtors.

Professional	Title	Total Hours
Arthur B. Newman	Senior Managing Director	130.5
Timothy R. Coleman	Managing Director[4]	1,176.5
Paul Huffard	Vice President[5]	2,893.5
Shervin Korangy	Analyst	871.0
Brian Spector	Analyst	295.0
Hwan-yoon Chung	Analyst	184.0
Total		5,550.5

[4] Mr. Coleman was promoted to Senior Managing Director in December 1997, subsequent to the completion of this assignment.

[5] Mr. Huffard was promoted from Associate to Vice President in December 1995.

9. All services for which compensation is requested by Blackstone were performed for and on behalf of the Debtors after the filing of this case and were not rendered on behalf of any other person.

10. There is no agreement or understanding between Blackstone and any other person for the sharing of compensation received or to be received for services rendered in connection with these proceedings.

11. **Conclusion**

Based on the foregoing, Blackstone respectfully requests that the Court:

(i) approve the Final Application and award Blackstone $1,503,916.93, consisting of fees in the amount of $1,425,000.00 and reimbursement of expenses of $78,916.93 and

(ii) authorize and direct the Debtors to pay Blackstone $385,170.75, consisting of $383,750.00 in fees and $1,420.75 in expenses.

Dated: September 2, 1999

THE BLACKSTONE GROUP L.P.
Financial Advisor to the Debtors

By:
Timothy R. Coleman
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