

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

Return Date
September 29, 1999
at 2:30 p.m.

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In re

PCG CORP. I, *et al.*,

Debtors.

Chapter 11
Case No. 95 B 43065 (PCB)
Jointly Administered

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APPLICATION OF KAYE, SCHOLER, FIERMAN, HAYS & HANDLER, LLP
FOR FINAL ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF
EXPENSES FOR PROFESSIONAL SERVICES RENDERED
AS ATTORNEYS FOR THE DEBTORS AND DEBTORS IN POSSESSION

TO: THE HONORABLE PRUDENCE CARTER BEATTY,
UNITED STATES BANKRUPTCY JUDGE:

Kaye, Scholer, Fierman, Hays & Handler, LLP (“Kaye Scholer”), as and for its application (the “Application”) for a final award of compensation for professional services rendered and expenses incurred from July 17, 1995 through and including July 8, 1999, as attorneys for PCG Corp. I (“PCG”)(f/k/a Plaid Clothing Group, Inc.), debtor herein, and its nine affiliated debtors herein (collectively, the “Debtors”), respectfully represents:

PRELIMINARY STATEMENT

1. On July 17, 1995 (the “Filing Date”), each of the Debtors filed a voluntary petition for reorganization under chapter 11 of the Bankruptcy Code with the Clerk of this Court and continued in the management and possession of its businesses and properties as a debtor in possession pursuant to §§1107 and 1108 of the Bankruptcy Code. On or about the Filing Date, an order was entered consolidating the Debtors’ chapter 11 cases for procedural purposes only. No trustee or examiner has been appointed herein.

2. On November 26, 1996, this Court approved the Asset Purchase Agreement dated as of November 5, 1996, as amended (the “Asset Purchase Agreement”), by and among Hartmarx Corporation or its nominee (collectively, “Hartmarx”) and the Debtors. The sale under the Asset Purchase Agreement closed on November 26, 1996.

3. On July 8, 1999, this Court entered an Order confirming the Debtors’ First Amended Joint Liquidating Plan of Reorganization dated March 19, 1999 (the “Plan”).

4. The objective of the Debtors in these chapter 11 cases has been to maximize the value of the Debtors’ assets and distributions for the benefit of creditors, whether through the utilization of the Debtors’ assets as an ongoing enterprise, or through the termination of the business and a sale to a third party, and the liquidation of the Debtors’ assets. From the date they filed for chapter 11 protection through the date the Debtors determined to cease operations and sell their assets, the Debtors expended great efforts to preserve and maximize the value of their estates for the benefit of the Debtors’ estates and the Debtors’ creditors. Upon the Debtors determining that a sale transaction would be the best course, the Debtors focused their efforts and resources on ensuring a thorough and complete sale process, and thereafter, winding down the Debtors’ estates.

5. Initially, the time and effort of the Debtors and their professionals was devoted to stabilizing and restructuring the Debtors’ operations. Among other things, the Debtors effectuated senior management changes, restructured the business around their core manufacturing business, reorganized the Debtors’ business into four divisions, consolidated manufacturing operations, reduced their working force, eliminated non-profitable businesses, liquidated excess inventory, and reduced general operating expenses. Notwithstanding the

foregoing efforts, the Debtors continued to experience the significant financial difficulties which had predated the commencement of the chapter 11 cases. Beginning in the third quarter of 1996, the Debtors were confronted with a liquidity crisis. At or around that time, the availability under the Debtors' debtor in possession financing facility dipped to dangerously low levels due to, among other things, the incurrence of substantial administrative expense claims arising from the Debtors' downsizing and continued disappointing sales. As a result, it became apparent that the Debtors did not possess sufficient liquidity to fund, from internal sources, a confirmable plan of reorganization. Accordingly, during the summer of 1996, the Debtors determined to actively explore a sale of their assets. Shortly thereafter, PCG's Board of Directors concluded that without a sale of substantially all of the Debtors' assets, the Debtors would not be able to emerge from chapter 11. The official committee of unsecured creditors (the "Committee") agreed with this conclusion, supported such a process and participated in its implementation.

6. In the end, after an extensive sale process spearheaded by the Blackstone Group, the Debtors' financial advisors ("Blackstone") and Kaye Scholer, Hartmarx emerged as the winning bidder for substantially all of the Debtors' assets. In addition to the substantial cash consideration provided for under the Asset Purchase Agreement of \$36 million, Hartmarx agreed to (i) assume approximately \$7.1 million of the Debtors' post-petition liabilities, (ii) offer employment to a majority of the Debtors' employees at each of their factories, and (iii) issue 125,000 shares of Hartmarx common stock to the Debtors, the proceeds of which were to be distributed to the Debtors' general unsecured creditors under a plan of liquidation (the "Hartmarx Shares").

7. Following consummation of the sale to Hartmarx, the Debtors began liquidating their remaining assets and resolving significant disputes concerning claims and the Debtors' funds in possession of third parties. In particular, there were three matters that the Debtors and Kaye Scholer focused their efforts upon. First, the Debtors' insurer National Union Fire Insurance Company ("National Union") held excess cash collateral of approximately \$1.75 million to secure the Debtors' obligations under their workers' compensation insurance program, and refused to turnover to the Debtors the excess cash collateral. Second, following the termination of the Plaid Clothing Group, Inc. Defined Benefit Retirement Plan (the "Plaid Retirement Plan") which occurred subsequent to the Filing Date, the IRS sought payment of an excise tax equal to 50% on the \$2.3 million reversion of the excess retirement plan assets due the Debtors -- more than double the amount of the tax the Debtors believed to be due, and a dispute worth over \$600,000. Third, representatives of then current and former employees of the Debtors asserted a nearly \$1.25 million administrative claim for severance pay obligations which the Debtors and the Committee disputed. Those matters, which singularly and in the aggregate, stood as obstacles to confirmation of a plan of liquidation, were all ultimately consensually resolved through the perseverance and professional judgment of Kaye Scholer, absent costly and time-consuming litigation.

8. The Plan, which was filed with the Court on March 19, 1999, and confirmed on July 8, 1999, is the vehicle through which the Debtors have begun to distribute and will continue to distribute, the proceeds achieved from the sale of their assets to Hartmarx and the liquidation of their remaining assets and properties.

9. Under the Plan, the holders of administrative and other priority and secured claims will be paid in full. It is anticipated that general unsecured creditors will receive a small dividend (less than 1% of their allowed claims) comprised of available cash and the proceeds of the Hartmarx Shares. In a full scale liquidation, were a sale transaction not consummated, it was estimated that the Debtors' estates would have been significantly administratively insolvent, perhaps by \$35 million or more. The prospects for such a liquidation loomed very large earlier in these cases.

10. In sum, considering these results, the costs of administering these cases compare most favorably to the results achieved, in large part because the principal constituencies involved were able to work together harmoniously in a cooperative environment free from time-consuming, costly and vexatious litigation. As demonstrated below, Kaye Scholer's know-how and dedication were instrumental in bringing this case to a successful conclusion. Kaye Scholer played an indispensable role in negotiating and documenting the sale transaction which resulted in the preservation of the jobs of hundreds of the Debtors' employees, negotiating and formulating the Plan and an accompanying disclosure statement (the "Disclosure Statement"), consensually resolving the substantial disputes with National Union, the IRS and former employees, and overseeing approval of the Disclosure Statement and confirmation of the Plan.

11. Kaye Scholer respectfully submits that this application for a final allowance of compensation and reimbursement of expenses for services rendered to and expenses incurred on behalf of the Debtors during the course of these chapter 11 proceedings should be approved in its entirety.

BACKGROUND

12. Prior to the commencement of the Debtors' chapter 11 cases, the Debtors retained Kaye Scholer to, among other things, prepare for one or more potential chapter 11 cases for the Debtors. In that capacity, Kaye Scholer became familiar with the Debtors' financial structure, operations, businesses and creditor constituencies. Ultimately, the Debtors retained Kaye Scholer as bankruptcy counsel for the prosecution of these chapter 11 cases.

13. By order of the Court dated July 18, 1995, Kaye Scholer was retained pursuant to § 327 of the Bankruptcy Code as general bankruptcy counsel to perform any and all legal services requested by the Debtors, to represent them generally in the within chapter 11 cases, and to be compensated pursuant to §§ 330 and 331 of the Bankruptcy Code for services rendered therein.

14. As previously disclosed in the "Statement of Attorney" filed by Kaye Scholer pursuant to Rule 2016 of the Bankruptcy Rules, prior to the Filing Date, Kaye Scholer received three retainers in the sums of \$75,000, \$50,000, and \$250,000 (the "Prepetition Retainers") from the Debtors on account of the reasonable value of services rendered and to be rendered in contemplation of, and in connection with, the commencement and prosecution of the Debtors' chapter 11 cases. Although Kaye Scholer was compensated out of the Prepetition Retainers for fees and expenses generated from prepetition services, as of the Filing Date, \$202,579.00 of the Prepetition Retainers remained.

15. In seeking compensation in these chapter 11 cases, Kaye Scholer has utilized its existing hourly rate structure in accordance with the (i) Administrative Order Re: Guidelines for Fees and Disbursements for Professionals in Southern District of New York

Bankruptcy Cases, dated June 20, 1991, as amended by the Administrative Order Re: Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases, dated April 19, 1995 (the “Southern District Guidelines”) and (ii) United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330 (the “U.S. Trustee Guidelines”), dated January 30, 1996 (collectively, the “Guidelines”). The names and corresponding hourly rates for all of Kaye Scholer’s attorneys and paraprofessionals who performed services on behalf of the Debtors are delineated on the summary cover sheet prefixed to the Application and incorporated herein by reference.

II

SUMMARY OF COMPENSATION AND EXPENSE REIMBURSEMENT SOUGHT

16. By order of this Court dated December 12, 1995, Kaye Scholer was awarded compensation for the period July 17, 1995 through and including October 31, 1995 (the “First Interim Period”) in the amount of \$572,425.05, subject to a holdback in the amount of \$57,242.51, resulting in a net interim award to Kaye Scholer in the amount of \$515,182.54. Additionally, pursuant to the same order, Kaye Scholer was awarded interim reimbursement in the amount of \$55,797.96 for out-of-pocket expenses incurred during the First Interim Period. The remaining \$202,579.00 of the Prepetition Retainers was applied by Kaye Scholer to the compensation awarded for the First Interim Period. A copy of the December 12, 1995 order is annexed hereto as Exhibit “A.”

17. By order of this Court dated May 2, 1996, Kaye Scholer was awarded compensation for the period November 1, 1995 through and including February 29, 1996 (the

“Second Interim Period”) in the amount of \$316,666.35, subject to a holdback in the amount of \$110,833.22, resulting in a net interim payment to Kaye Scholer in the amount of \$205,833.13. Additionally, pursuant to the same order, Kaye Scholer was awarded interim reimbursement in the amount of \$42,502.98 for out-of-pocket expenses incurred during the Second Interim Period. A copy of the May 2, 1996 order is annexed hereto as Exhibit “B.”

18. By order of this Court dated December 19, 1996, Kaye Scholer was awarded compensation for the period March 1, 1996 through and including October 31, 1996 (the “Third Interim Period”) in the amount of \$779,298.93, subject to a holdback in the amount of \$233,790.33, resulting in a net interim payment to Kaye Scholer in the amount of \$545,508.60. Additionally, pursuant to the same order, Kaye Scholer was awarded interim reimbursement in the amount of \$78,613.76 for out-of-pocket expenses incurred during the Third Interim Period. A copy of the December 19, 1996 order is annexed hereto as Exhibit “C.”

19. By order of this Court dated September 29, 1997, Kaye Scholer was awarded compensation for the period November 1, 1996 through and including July 31, 1997 (the “Fourth Interim Period”) in the amount of \$649,261.35, subject to a holdback in the amount of \$259,704.54, resulting in a net interim payment to Kaye Scholer in the amount of \$389,556.81. Additionally, pursuant to the same order, Kaye Scholer was awarded interim reimbursement in the amount of \$84,241.26 for out-of-pocket expenses incurred during the Fourth Interim Period. A copy of the September 29, 1997 order is annexed hereto as Exhibit “D.”

20. Accordingly, pursuant to the four applications (the “Interim Applications”) for allowance of interim compensation and reimbursement of expenses for the

First Interim Period, the Second Interim Period, the Third Interim Period and the Fourth Interim Period (collectively, the “Interim Allowance Periods”), Kaye Scholer requested compensation in the aggregate amount of \$2,317,651.60 for services rendered during the Interim Allowance Periods, of which amount Kaye Scholer has been awarded and paid the sum of \$1,656,081.00 (inclusive of any remaining Retainer).

21. By this Application, Kaye Scholer seeks a final award of (i) all amounts previously awarded on an interim basis, (ii) \$661,570.60 representing the holdbacks accrued during the Interim Allowance Periods, (iii) \$564,786.20 in compensation for services rendered during the period August 1, 1997 through and including July 8, 1999 (the “Final Period”) and (iv) \$61,376.97 for the actual, reasonable and necessary out-of-pocket expenses incurred during the Final Period.

22. The following schedule sets forth a summary of Kaye Scholer’s fees and expenses requested and awarded during the Interim Allowance Periods and the Final Period (collectively, the “Total Period”):

	Requested		Allowed		Holdbacks	
	Fees	Expenses	Fees	Expenses	Fees	Expenses
First Interim Fee Application (7/17/95-10/31/95)	\$572,425.05	\$55,797.96	\$572,425.05	\$55,797.96	\$ 57,242.51	0
Second Interim Fee Application (11/1/95-2/29/96)	\$316,666.35	\$ 42,502.98	\$316,666.35	\$ 42,502.98	\$110,833.22	0
Third Interim Fee Application (3/1/96-10/31/96)	\$779,298.93	\$ 78,613.76	\$779,298.93	\$ 78,613.76	\$233,790.33	0

Fourth Interim Fee Application (11/1/96-7/31/97)	\$649,261.35	\$ 84,241.26	\$649,261.35	\$ 84,241.26	\$259,704.54	0
Final Period (8/1/97-7/8/99)	\$564,786.20	\$ 61,376.97	--	--	--	--
Total	\$2,882,437.80	\$322,532.93	\$2,317,651.68	\$261,155.96	\$661,570.60	\$0

23. Kaye Scholer maintains time records in the regular course of its business and practice, with entries made by each professional and paraprofessional contemporaneously with the rendering of the service. In addition, Applicant maintains contemporaneous records of out-of-pocket expenses.

24. In accordance with the Guidelines, annexed hereto and marked as Exhibit "E" hereof is the "Certification of Andrew A. Kress," the partner at Kaye Scholer with principal responsibility for the Debtors' chapter 11 cases, certifying to, among other things, Kaye Scholer's substantial compliance with the Guidelines in all material respects during the Final Period.

25. The professional services and related expenses for which Kaye Scholer requests a final allowance of compensation and reimbursement of expenses were rendered and incurred in connection with these cases and in discharge of Kaye Scholer's professional responsibilities as attorneys for the Debtors in their chapter 11 cases. Kaye Scholer's services were substantial, necessary, and beneficial to the Debtors and their estates, creditors, and other parties in interest. The variety and complexity of the issues involved in these cases and the need to act or respond on an expedited basis to those issues have required Kaye Scholer attorneys to

expend substantial time on a daily basis, and sometimes required – most notably during the sale transaction – night and weekend work.

26. Throughout the Total Period, Kaye Scholer contributed to the efficient administration of these cases. Kaye Scholer worked tirelessly to seek to resolve all disputes consensually without the need for judicial intervention. In addition, Kaye Scholer actively sought to maintain an efficient working relationship with Court personnel and the Clerk's office, and a positive working relationship with the various professionals acting in these cases.

SUMMARY OF SIGNIFICANT ACTIVITIES DURING THE
INTERIM ALLOWANCE PERIODS AND THE FINAL PERIOD

27. During these chapter 11 cases, the Debtors, together with Kaye Scholer and other of the Debtors' professionals, have been confronted with a multitude of issues vital to the Debtors' business operations, as well as to the success of their reorganization efforts. Such issues have involved not only bankruptcy law, but have also involved corporate, finance, tax, and labor law, as well as litigation procedures and practices. Through the perseverance, skills and ingenuity of management, Kaye Scholer and the Debtors' other professionals, many of the issues raised in the Debtors' chapter 11 cases were resolved successfully and efficiently. Among other matters, Kaye Scholer provided advice to the Debtors with respect to (i) asset analysis, recovery and disposition, (ii) the responsibility of the Debtors as debtors in possession, (iii) the business affairs and operations of the Debtors, (iv) claims administration, (v) the preparation of schedules, (vi) labor matters, (vii) the retention and compensation of professionals, (viii) debtor in possession financing, (ix) the assumption and rejection of executory contracts, including

license agreements and leases for nonresidential real property, (x) the sale of substantially all of the Debtors' assets and (xi) the Plan confirmation process.

A. Interim Allowance Periods

28. During the Interim Allowance Periods, as more fully described in the Interim Applications, Kaye Scholer performed a wide variety of legal services for the Debtors.

The following delineates the most significant of those services:

- (a) Central to the stabilization of the Debtors' operations after the Filing Date was the establishment of a working capital facility. Toward this end, Kaye Scholer spearheaded the effort, on the legal side, to obtain interim and final approval of a \$50 million debtor in possession credit facility (the "DIP Facility") from CIT Group/Commercial Services, Inc. Establishing the DIP Facility entailed extensive negotiations among the Debtors, CIT, the Debtors' prepetition secured lender, and the Committee. Kaye Scholer also assisted the Debtors with obtaining emergency financing by convincing Burlington Industries, Inc. to post a \$3 million letter of credit which enabled the Debtors to obtain additional advances under the DIP Facility. The DIP Facility effectively ensured a continued supply of merchandise and afforded the Debtors an opportunity to attempt to formulate a business plan. During the Interim Allowance Periods, Kaye Scholer ultimately negotiated the termination and paydown of the DIP Facility upon consummation of the sale to Hartmarx.
- (b) Kaye Scholer counseled the Debtors with respect to preparing a five year business plan to be used as a cornerstone to a plan of reorganization. Kaye Scholer held extensive discussions, meetings, conferences and negotiating sessions with the Committee and its professionals to review the business plan and to resolve any related legal issues. Kaye Scholer negotiated with the Committee for a co-exclusivity arrangement with respect to proposing plan(s) of reorganization, and drafted, filed and successfully argued for an extension of the co-exclusive period.
- (c) As would be expected in a case involving a retail debtor, Kaye Scholer expended considerable time and effort with various lease and contract issues. Among other things, Kaye Scholer researched, drafted and filed several pleadings resulting in two separate extensions of the Debtors' time to assume or reject their unexpired leases of nonresidential real property. As evidenced by the value received by the Debtors from Hartmarx, these extensions ultimately permitted the Debtors to realize

significant value for these assets. In addition, Kaye Scholer (i) drafted, filed and argued motions to reject leases for various factories and showrooms, (ii) drafted a stipulation extending the Debtors' time in which to vacate their leased premises located in Florence, KY, (iii) obtained Court approval for a stipulation immediately terminating the license to use the Halston™ trademark and waiving all future obligations of the Debtors in exchange for payment of outstanding royalties, (iv) drafted, filed and successfully argued motions to reject the license agreements associated with the Bill Robinson™, Nicole Miller™ and Hanea Mori™ trademarks, (v) drafted, filed and successfully argued the motion to assume an amended lease for the Debtors' headquarters located in New York City, (vi) negotiated with Jones Investment Corp. and obtained Court approval for the assumption of an amended license permitting the use of the Evan-Picone trademark, (viii) negotiated with various equipment lessors in order to avoid large rejection damage claims and drafted, filed and successfully argued motion to reject equipment leases and service contracts that were not terminated on consent, (ix) obtained Court approval to enter into an amended equipment lease agreement with AT&T Credit Corp. and Ryder Truck Rental, and (x) assisted the Debtors with the evaluation of various licenses.

- (e) Kaye Scholer expended considerable time and effort during the Interim Allowance Periods in connection with the Debtors' attempts to achieve maximum value for certain miscellaneous assets. In this connection, Kaye Scholer, among other things, (i) assisted with the auction to sell excess inventory to Today's Man, (ii) attended to all legal issues relating to the closure of factories and sale of fixed assets, (iii) drafted, filed and successfully argued motions approving the sale of the Calvin Youthwear Division of PBC, (iv) assisted with the sale and leaseback of the Debtors' factory in Chambersburg, Pennsylvania, (v) drafted, filed and successfully argued motions to sell certain machinery and equipment located in the Debtors' closed factories in Wilmington DE, Talledega Al, Chambersburg, PA and State Line PA, and (vi) assumed direct operational control of the Plaid Retail inventory clearance sales after Buxbaum, Ginsberg & Associates ended its role in the liquidation.
- (f) Beginning in the third quarter of 1996, the sale transaction and process required Kaye Scholer to bring to bear its bankruptcy, corporate, real estate, litigation, ERISA, labor and tax disciplines. In that regard, Kaye Scholer (i) counseled the Debtors with respect to issues relating to medical benefits, pension plan funding, severance benefits and WARN Act requirements, (ii) negotiated a new collective bargaining agreement that was ultimately assigned to Hartmarx, (iii) prepared a joint motion, as between the Committee and the Debtors, for uniform bid procedures

which was ultimately approved by the Court, (iv) negotiated the letter of intent between the Debtors and Hartmarx, (v) drafted, filed and argued the motion to amend the bid procedures to conform with the bid procedures negotiated with Hartmarx, (vi) drafted a notice of sale of substantially all of the Debtors' assets to Hartmarx and a notice of hearing on Hartmarx's offer to provide warrants to unsecured creditors and served these notices upon more than 7,000 creditors of the Debtors, (vii) drafted and filed the motion to approve the sale of substantially all of the Debtors' assets to Hartmarx, (viii) drafted and filed the motion to assume and assign to Hartmarx certain executory contracts, license agreements and unexpired leases of non-residential real property, (ix) reviewed, researched and drafted a comprehensive response to numerous objections interposed to the sale motion, (x) conducted the closing on the sale and (xi) assisted the Debtors with post-closing sale matters including changing each of the Debtors' names and re-employing Dennis P. McNamara and James J. McCorry in connection with the administration and winding down of the Debtors' estates.

- (g) In resolving Plan related issues, Kaye Scholer was required to research and analyze numerous employment and labor relations issues. Among other things, Kaye Scholer (i) researched and analyzed the legal standards and implications of the rejection of a collective bargaining agreement under § 1113 of the Bankruptcy Code, (ii) analyzed complex issues concerning successorship liability in the context of the sale of the Debtors' assets, (iii) advised the Debtors regarding the requirement of federal and state laws in connection with the cessation of the Debtors' operations, (iv) analyzed the impact of employee claims on the potential sale transaction, (v) analyzed complex employee benefit and pension issues in the context of the Debtors' ultimate cessation of operations, (vi) counseled the Debtors on a variety of issues including, but not limited to closure of factories, reduction in workforce, restructuring of senior management and issues related to workers compensation, (vii) drafted, filed and argued motions to approved the payment of severance and other medical benefits and approve the payment of sales commissions to then-former and present employees, and (viii) developed and obtained Court approval, and advised the Debtors' regarding the implementation of, a retention bonus program for key employees.
- (h) Kaye Scholer was required to handle and respond to various actions taken by numerous parties in interest requesting relief against the Debtors or their estates. In an effort to minimize costs to the Debtors' estates, Kaye Scholer negotiated with adversaries to consensually and favorably resolve many of these matters. In other instances, Kaye Scholer was required to seek redress from the Court. For example, Kaye Scholer sought a

preliminary injunction against class action claimants from further prosecuting their complaint based upon alleged false and misleading statements made by the Debtors' then-current and former officers and directors in connection with the Debtors' pre-petition bond offering (the "Class Action Lawsuit"), and drafted, filed and successfully argued a motion to pay certain defense costs incurred by the then-current and former officers and directors in connection with the Class Action Lawsuit.

B. Final Period

29. During the Final Period, Kaye Scholer, together with the Debtors, continued to be confronted with a multitude of issues vital to the ability of the Debtors to maximize the value of their chapter 11 estates for the benefit of the Debtors' creditors and to reach the stage where the Disclosure Statement would be approved and the Plan confirmed. In accordance with the Guidelines, the following summarizes, by specific project categories, the majority of the Debtors' activities and legal services performed by Kaye Scholer during the Final Period.

Asset Analysis & Recovery (Matter 0003)

30. During the Final Period, no significant time was billed to this matter.

Asset Dispositions (Matter 0004)

31. In an effort to maximize the value of the Debtors' estates, Kaye, Scholer assisted the Debtors by conducting various activities in an effort to dispose of all unnecessary assets and achieve maximum value for such assets. In connection therewith, during the Final Period, the matters for which the Debtors sought Kaye Scholer's advice and assistance included selling the Debtors' property located in Wilmington, Delaware. In that regard, Kaye Scholer drafted and negotiated the form of an asset purchase agreement relating to the proposed sale, and prepared the necessary pleadings to obtain Court approval of the sale agreement. Following

a hearing at which the Court approved the proposed sale, Kaye Scholer conducted the closing of the sale of the Wilmington, Delaware property.

32. During the Final Period, Kaye Scholer continued to render post-closing services on behalf of the Debtors with respect to the Hartmarx sale transaction. In that regard, certain disputes between Hartmarx and the Debtors arose concerning, inter alia, the calculation of the amount Hartmarx was required to contribute to medical funding accounts pursuant to the Asset Purchase Agreement, the responsibility of Hartmarx with respect to payables that had been assumed under the Asset Purchase Agreement, and whether Hartmarx had the right to offset any post-petition claims received from suppliers or licensors that were not disclosed in the Asset Purchase Agreement. Kaye Scholer actively participated in negotiations with counsel for Hartmarx to resolve any and all issues relating to these disputes. Ultimately, the parties were able to consensually resolve their differences and memorialized the settlement in an agreement approved by the Court on June 16, 1997. Pursuant to the terms of the settlement, the parties agreed, among other things, that Hartmarx would deliver \$306,312 to the Debtors, which payment was made within ten days following entry of the Court's approval order.

Business Operations (Matter 0005)

33. During the Final Period, no significant time was billed to this matter.

Case Administration (Matter 0006)

34. Kaye Scholer provided extensive services throughout the Total Period to facilitate the Debtors' fulfillment of their administrative duties as debtors in possession. These services ensured the efficient administration of the Debtors' chapter 11 cases and compliance with the requirements of the Bankruptcy Code.

35. At the outset of the chapter 11 cases, Kaye Scholer assisted the Debtors in preparing their chapter 11 petitions, along with first day motions, applications and orders seeking relief designed to facilitate the orderly administration of these cases and avoid any unnecessary interruption of the Debtors' activities following the commencement of these cases. Kaye Scholer also filed monthly operating reports with the United States Trustee, argued for an extension of time to prepare schedules and financial statements and thereafter prepared said schedules, assisted the Debtors with the retention of various professionals, and drafted, filed and successfully argued motions to fix general and administrative bar dates in the cases.

36. Kaye Scholer advised the Debtors on a daily basis on issues relating to claims, leases, executory contracts, business transactions, the rights, powers and duties of a debtor in possession and ultimately, the sale of substantially of the Debtors' assets and the orderly liquidation of their remaining assets. During the Total Period, Kaye Scholer attorneys were in daily contact with the Debtors and their other professionals, discussing pending matters and determining what actions Kaye Scholer should take on the Debtors' behalf. At times, the information and other demands were substantial and Kaye Scholer produced numerous documents and supplied other information requested by the Debtors and other parties.

37. Kaye Scholer also responded to numerous inquiries by creditors and other parties in interest concerning their claims and the status of the Debtors' chapter 11 cases. In sum, throughout the Total Period, Kaye Scholer provided extensive services to facilitate the Debtors' discharge of their administrative duties as debtors in possession and otherwise move these cases forward to a successful conclusion.

38. Both Kaye Scholer's professionals and paraprofessionals have been instrumental in administering the Debtors' chapter 11 cases. In connection therewith, attorneys have administered the cases on a daily basis, prepared for, and attended Bankruptcy Court hearings, and engaged in frequent correspondence with the Debtors, the Committee, and various other parties in interest. Paraprofessionals have prepared for service and served all pleadings and motions, and have managed the internal indexing and filing of the massive amount of legal documents and correspondence that have been prepared or received in connection with the Debtors' cases.

Claims Administration & Objections (Matter 0007)

39. During the Final Period, Kaye Scholer devoted a significant portion of its efforts and time to consensually resolving three substantial disputed matters concerning, (i) the \$1.25 million administrative claim asserted against the Debtors by their then current and former employees on account of severance obligations, (ii) the claim asserted against the Debtors by the IRS on account of the reversion tax due in connection with the termination of the Plaid Retirement Plan, and (iii) the excess cash collateral of \$1.75 million held by the Debtors' workers' compensation insurer National Union.

Resolution of Dispute With National Union, Debtors' Insurance Carrier

40. PCG's insurance program for, inter alia, workers' compensation claims for the multi-year period September 1, 1992 through October 16, 1996 had been facilitated through insurance agreements with National Union. Under the insurance program, PCG had been required to cash collateralize the estimated amount of claims to be paid for the applicable policy years plus certain reserves. The objective of Kaye Scholer in the Final Period with

respect to National Union was to recover the cash held by National Union that the Debtors and Kaye Scholer believed the Debtors were entitled to, in the most expeditious and least costly manner so that the funds would be available for distribution to creditors under a plan of liquidation and the Debtors could proceed with such a plan of liquidation.

41. While Kaye Scholer independently researched and evaluated the many issues to understand the strengths and weaknesses of the Debtors' position should litigation of the matter be required, Kaye Scholer recognized that litigation with National Union would be expensive, protracted and involve fact intensive issues, and stressed the importance of a negotiated settlement to the Debtors which would ensure the expeditious recovery of the needed cash. Kaye Scholer worked closely with J.H. Albert, the Debtors' insurance professionals, in analyzing the issues and in negotiations with National Union. Kaye Scholer, in conjunction with J.H. Albert, analyzed and advised the Debtors concerning the structuring of possible settlements with National Union, and participated in extensive discussions with counsel for National Union. Eventually, after many months of negotiations by Kaye Scholer and counsel for National Union, the Debtors reached a settlement with National Union. Under the settlement, National Union agreed to assume all obligations and liabilities of the Debtors for workers' compensation coverage, and agreed to make a lump sum payment to the Debtors of \$1,029,924 within seven days after entry of a final order of the Court approving the settlement. It was further agreed that the remaining cash collateral in the aggregate amount of \$729,982 was to be held by National Union, in a security account, and paid to the Debtors by National Union over a three year period beginning August 1, 2000, but only to the extent of the funds remaining after National Union had made all payments of claims required under the insurance program.

Kaye Scholer, along with J.H. Albert, negotiated and drafted the settlement agreement and prepared the required motion seeking this Court's approval of the settlement, which was granted by order of this Court dated July 20, 1999.

Resolution of Severance Pay Claims

42. By application dated April 19, 1996, 67 non-union then current and former employees (the "Employees") sought an order of the Court directing the Debtors to pay approximately \$1.25 million in severance benefits as an administrative expense, and declaring that the severance benefits due to any employee upon termination must be paid within ten days after termination. Kaye Scholer and counsel for the Committee attempted to resolve the matter consensually but were unable to reach agreement. The parties subsequently entered into a joint stipulation of facts which identified three employees representing "test cases" with respect to which the facts were undisputed. It was the position of the Committee that the severance due each employee was not an administrative expense and that the Employees were not entitled to immediate payment of any severance benefits. After a hearing held on September 11, 1996, and by order dated November 8, 1996, the Court found that the severance pay claims of two of the test case Employees who represented the former Employees were entitled to the status of administrative expense priority, and denied without prejudice the claim of the test case employee who represented current Employees.

43. Thereafter, Kaye Scholer and counsel for the Committee commenced settlement negotiations with counsel for the Employees. On December 17, 1996, the negotiations culminated in a stipulation of settlement dated August 7, 1997. Under the settlement, the parties agreed to allow the Employees their administrative expenses claims up to

a certain percentage – 66 2/3% of the allowed administrative claims of the Employees – subject to the condition that the Debtors’ estates were administratively solvent. In the event that the Debtors’ estates were administratively insolvent, the Debtors agreed to pay 60% of the allowed claims of the Employees. By Complaint dated June 20, 1997 and Amended Complaint dated July 10, 1997, the Employees named as defendants the Debtors and the Committee to permit the implementation of the settlement which was negotiated between April 19, 1996 and December 17, 1996.

44. Kaye Scholer participated in the review and analysis of these claims, and in meetings to discuss the Debtors’ approach to challenging and ultimately resolving the proofs of claim. Kaye Scholer also advised the Debtors concerning settlement of the claims. Although the Committee took the laboring oar in the litigation of the claims, Kaye Scholer worked closely with the parties to facilitate the ultimate result by independently researching and evaluating the issues. Many discussions were held between Kaye Scholer and the Debtors, as well as the lawyers for the Committee, concerning tactics and strategy. Kaye Scholer prepared the required motion papers seeking this Court’s approval. Pursuant to the terms of the settlement ultimately reached, which was approved by the Court on September 25, 1997, the approximately \$1.25 million in asserted claims were compromised to approximately \$825,000, and the Debtors were released from substantial severance claims which under binding precedent in the Second Circuit were required to be paid in full. The result, which alleviated the need for judicial consideration, reduced litigation and the significant risk that the claims would be paid in full, and was extremely favorable for the Debtors, particularly considering the cost the estate would have

borne in connection with the appeal of the action and the time that would have been consumed.

Resolution of IRS Tax Claim on Reversion Due Debtors
In Connection With Termination of Plaid Retail Retirement Plan

45. As part of the administration of the chapter 11 proceedings, following the sale of substantially all of the Debtors' assets to Hartmarx, the Plaid Retail Retirement Plan was terminated, effective June 9, 1997, in a "standard termination" pursuant to Section 4041(b) of the Employee Retirement Income Security Act of 1974, as amended. After satisfying all benefit liabilities to Plaid Retirement Plan participants by the payment of benefits to such participants, PCG, with the advice of Kaye Scholer, thereafter determined it was entitled to a reversion of the excess retirement plan assets (the "PCG Reversion") of \$2,349,837.

46. Kaye Scholer engaged in a complete analysis of the facts and circumstances surrounding the Plaid Retirement Plan termination and applicable law, including Section 4980 of the Tax Code and its legislative history, which imposes a 20% tax on any employer reversion if the employer is in a chapter 7 liquidation proceeding (the "Section 4980 Amount"). Otherwise, the applicable tax rate on an employer reversion is 50%. Based upon such analysis, Kaye Scholer determined that the 20% tax rate should apply in calculating the Section 4980 amount, because PCG was in the process of liquidating its assets, albeit under chapter 11, as of the date of termination of the Plaid Retirement Plan, and Kaye Scholer believed that such liquidation proceedings were within the intended scope of Section 4980.

47. Kaye Scholer thereafter devoted its efforts in attempting to reach a consensual agreement with the IRS concerning the applicable tax rate. In furtherance thereof, Kaye Scholer prepared a letter brief dated May 4, 1998, and an accompanying excise tax form,

which PCG submitted to the IRS. In the letter brief, Kaye Scholer provided the IRS with an extensive legal discussion and the bases for its legal position that the PCG Reversion was subject to a 20% tax rate rather than a 50% tax rate, and directed that the IRS file a claim in the bankruptcy proceedings for the 4980 Amount. Kaye Scholer also engaged in research under § 505(b) of the Bankruptcy Code, and invoked the 60 day time limitation thereunder.

48. Prior to the expiration of the 60 day period, Kaye Scholer commenced discussions with the IRS and thereafter, as a result of such discussions, the IRS conceded the Debtors' position. The IRS filed a proof of claim dated July 8, 1998 against PCG in the aggregate approximate amount of \$400,000 on account of the Section 4980 Amount. The Debtors thereafter made payment to the IRS, on March 22, 1999, of \$469,967.41, in full and final satisfaction of the 4980 Amount and any and all liabilities in connection with the termination of the Plaid Retirement Plan

D. General Claims Issues

49. During the Final Period, Kaye Scholer provided extensive advice to the Debtors regarding the claims resolution process, both for Plan and Disclosure Statement purposes and to ensure timely and meaningful distributions under the Plan. Kaye Scholer aided the Debtors in reviewing and cataloging over 1,860 claims filed in these cases. During the Final Period, Kaye Scholer prepared and filed six omnibus claims objections objecting to over 700 claims. Orders upholding the Debtors' objection to the vast majority of those claims were signed on June 18, 1998, February 25, 1999 and July 8, 1999. Additional motions have since been and will continue to be filed through the completion of the claims reconciliation process.

Employee Benefits & Pensions (Matter 0008)

50. During the Final Period, Kaye Scholer advised the Debtors regarding the termination of the Plaid Retirement Plan. In this connection, Kaye Scholer prepared the necessary moving papers regarding, and represented the Debtors at the hearing on, the Debtors' motion for authorization to terminate the Plaid Retirement Plan. Thereafter, Kaye Scholer rendered legal services in connection with the termination of the Plaid Retirement Plan, the distribution of benefits to all participants and the reversion of the excess retirement plan assets to the Debtors, including (i) preparing forms required to be filed with the PBGC and the IRS, both the annual requirements and special forms in connection with the termination and reversion, (ii) searching for missing participants in order to pay benefits and depositing with the PBGC the value of the benefits for those who could not be located, (iii) negotiating and drafting settlements with participants who claimed higher benefits, (iv) responding to the PBGC during its audit of the terminated retirement plan, and (v) responding to the IRS requests for annual accountants' reports not prepared in prior years, and assisting accountants in preparing reports and related forms. Kaye Scholer also rendered legal services in connection with the termination of the 401(k) Savings Plan and the distribution of all assets to participants, including (i) responding to the IRS requests to perform audit of the Savings Plan, and (ii) responding to the IRS requests for annual reports not prepared in prior years, and assisting accountants in preparing same.

Fee & Employment Applications (Matter 0009)

51. In compliance with the Guidelines, Kaye Scholer has timely provided to the Debtors, the Committee and the United States Trustee, monthly fee letters delineating the services performed and costs and expenses associated therewith.

52. In addition to preparing its own Final Fee Application, Kaye Scholer assisted the Debtors' other professionals with the preparation of their final fee applications, including, *inter alia*, correspondence with such professionals as well as the noticing, service and filing of certain of their fee applications.

Financing (Matter 0010)

53. During the Final Period, there was no time billed to this matter.

License Agreements (Matter 0011)

54. During the Final Period, no significant time was billed to this matter.

General Litigation (Matter 0012)

55. During the Final Period, no significant time was billed to this matter.

Meetings of Creditors (Matter 0013)

56. During the Final Period, there was no time billed to this matter.

Plan, Disclosure Statement & Business Plan (Matter 0014)

57. The approval of the Asset Purchase Agreement was but one hurdle toward achieving its consummation. Kaye Scholer began working with the Committee in an effort to draft a plan that was both in conformity with the terms of the Asset Purchase Agreement and would receive the support of the Committee and Hartmarx.

58. While the principal terms of the Plan were necessarily dictated by the terms of the Asset Purchase Agreement, there were still many issues which required negotiations both with the Committee and Hartmarx. Kaye Scholer attorneys spent numerous hours working on drafts of a plan of reorganization and disclosure statement. Kaye Scholer also prepared the proposed forms of ballots and summary ballots, the proposed form of order approving the Disclosure Statement, the notice to be published regarding the hearing on Plan confirmation, and all related documents for inclusion in the Disclosure Statement package to creditors.

59. Kaye Scholer ultimately appeared on the Debtors' behalf at a hearing held on February 25, 1999 to consider approval of the Disclosure Statement. At the conclusion of the hearing, this Court approved the Disclosure Statement as containing adequate information subject to certain modifications agreed to at the hearing, prescribed the solicitation requirements pertaining to the Plan, and scheduled a hearing to consider confirmation of such Plan. Thereafter, Kaye Scholer worked diligently to address the comments of the Court raised at the hearing and certain additional concerns and objections raised by Hartmarx. As a result, on March 19, 1999, the Debtors filed their First Amended Joint Liquidating Plan of Reorganization and a further amended Disclosure Statement.

60. Prior to the confirmation hearing, Kaye Scholer supervised and coordinated the activities of numerous parties and the time-consuming and burdensome process with respect to the mailing of the Plan and related documents (the "Solicitation Package") to all creditors and stockholders of the Debtors. In connection with this mailing, Kaye Scholer

worked closely with the Debtors in overseeing the proper distribution to creditors and stockholders.

61. Following the mailing of the Solicitation Package, Kaye Scholer began to monitor the voting on the Plan and engaged in conversations with the balloting agent retained by the Debtors and representatives of the Debtors regarding voting on the Plan. Following mailing of the Solicitation Package, time was also spent in responding to the numerous phone calls from claimants requesting general and specific information regarding the Plan and the confirmation hearing. In some instances, inquiries were referred to representatives of the Debtors and in other instances, Kaye Scholer responded directly to the inquiries.

62. As the confirmation hearing approached, Kaye Scholer prepared for the hearing. Kaye Scholer examined feasibility issues, prepared witnesses for the confirmation hearing in the event testimony were required, and prepared documents necessary for the confirmation hearing, including the affidavit of service for the Solicitation Package, the certification of votes on the Plan and the Confirmation Order.

63. The Plan was predicated upon the substantive consolidation of the Debtors' estates. Accordingly, during the Final Period, Kaye Scholer – building upon its review and analysis conducted during the Interim Periods over the course of these cases – completed and filed a motion and accompanying memorandum of law seeking such substantive consolidation, which was granted by this Court July 8, 1999 immediately preceding the confirmation hearing. This matter required Kaye Scholer to research, analyze and ultimately resolve complex issues of fact and law relative to the equitable doctrine of substantive

consolidation to determine whether it was appropriate to seek to apply such doctrine to the Debtors' cases.

64. Following this Court's granting substantive consolidation, the confirmation hearing proceeded. At the close of the confirmation hearing, this Court approved the Plan and signed the Confirmation Order.

65. Kaye Scholer's plan-related efforts and activities were of great benefit to the Debtors and all creditors in that those efforts ultimately resulted in the filing and confirmation of a consensual plan on favorable terms which proved to be acceptable to an overwhelming number of creditors of the Debtors' estates.

Business Alternatives (Matter 0016)

66. During the Final Period, there was no time billed to this matter.

Post-Closing Activities (Matter 0017)

67. During the Final Period, no significant time was billed to this matter.

Preferences (Matter 0019)

68. Kaye Scholer's efforts to assess various settlement proposals and bring parties into consensus also involved the Debtors' investigation of preference issues raised by payments made by the Debtors prior to the Filing Date.

69. Kaye Scholer oversaw and coordinated a thorough investigation by the Debtors on the nature of such payments made by the Debtors. Such investigation required review of documentation and research addressing all relevant issues. Based upon this work, a group of six entities was identified as having received preferential payments as to which Kaye Scholer would devote its efforts to recover, either through negotiated settlements or litigation. Kaye

Scholer initially attempted to avoid litigation, and in that regard, prepared letters setting forth its conclusions with regard to preferential payments made and forwarded such letters to the recipients of the payments, requesting that the payments be returned. Kaye Scholer thereafter commenced negotiations regarding payments made to certain of the recipients of the preferential payments. Where the settlement discussions did not progress sufficiently or adequately, Kaye Scholer commenced actions seeking to recover the preferential payment. Ultimately, Kaye Scholer was able to settle each of the disputes, and due to Kaye Scholer's efforts, recover approximately \$625,000 in total consideration for the benefit of the Debtors' creditors, including the waiver of substantial fee claims against the Debtors and their estates of approximately \$220,000 by certain professionals who had rendered services to the Debtors prior to the Filing Date and received payment thereon.

70. In accordance with the Guidelines, the following delineates the various attached exhibits detailing the fees and expenses sought herein:

- (i) A breakdown, by project category, of each professional or paraprofessional who provided services to the Debtors, the total number of hours spent by each such person, and the amount of compensation requested on behalf of each such person, is attached hereto as Exhibit "F."
- (ii) Narrative descriptions of time spent, by project category, is attached hereto as Exhibit "G."¹
- (iii) A listing, by project category, of the actual, reasonable and necessary out-of-pocket expenses incurred by Kaye Scholer for, and

¹ A narrative description of time spent, by project category, for each of the Interim Allowance Periods was attached as an exhibit to each of the applicable Interim Applications and are incorporated herein by reference.

while working on behalf of the Debtors during the Final Period, is attached hereto as Exhibit "H".²

IV

CASE STATUS

71. Pursuant to section II.B. of the U.S. Trustee Guidelines, Kaye Scholer sets forth the following information:

- (a) On March 19, 1999, Kaye Scholer, on behalf of the Debtors, filed the Plan and Disclosure Statement with this Court. On March 23, 1999, this Court approved the Disclosure Statement. On July 8, 1999, this Court granted the Confirmation Order. All quarterly fees have been paid to the United States Trustee and all monthly operating reports have been filed;
- (b) As of August 1, 1999, the Debtors had \$5,495,706 of cash on hand, all of which was unencumbered. The Debtors currently estimate that unpaid administrative expenses, including professional fees, total \$5,100,000.

V

DETERMINATION OF KAYE SCHOLER'S REQUESTED FEE

72. In seeking compensation in these chapter 11 cases, Kaye Scholer has utilized its existing hourly rate structure in accordance with the Guidelines. During the period

² A listing, by project category, of the actual, reasonable and necessary out-of-pocket expenses incurred by Kaye Scholer for, and while working on behalf of the Debtors during each of the Interim Allowance Periods was attached as an exhibit to each of the applicable Interim Applications and are incorporated herein by reference.

encompassed by this Application, Kaye Scholer maintained hourly rates in the following ranges for attorneys and paraprofessionals performing services in this engagement:

- (a) 1997 Hourly Rates
 - Partners and Counsel: \$265 - \$525 per hour
 - Associates: \$150 - \$335 per hour
 - Paraprofessionals: \$ 50 - \$ 98 per hour
 - Law Clerks: \$ 50 - \$100 per hour

- (b) 1998 Hourly Rates
 - Partners and Counsel: \$385 - \$535 per hour
 - Associates: \$170 - \$345 per hour
 - Paraprofessionals: \$ 55 - \$110 per hour
 - Law Clerks: \$ 50 - \$105 per hour

- (c) 1999 Hourly Rates
 - Partners and Counsel: \$405 - \$550 per hour
 - Associates: \$220 - \$355 per hour
 - Paraprofessionals: \$ 55 - \$110 per hour
 - Law Clerks: \$ 60 - \$115 per hour

For purposes of this Application, Kaye Scholer calculated its request for compensation by multiplying (a) the hours of time spent on services rendered on behalf of the Debtors, by (b) the then-applicable hourly rate assigned to each attorney, paralegal or clerk rendering such services.

73. In accordance with the criteria enunciated for evaluating the fair and reasonable value of legal services, Kaye Scholer respectfully represents:

- (a) Time and Labor Required. Kaye Scholer has attended to the reorganization and coordination of the affairs and activities of the Debtors at every level in order to enable management to take the necessary steps and institute the appropriate measures to deal with the myriad issues that have arisen in these chapter 11 proceedings. Meetings with representatives of the Debtors, the Committee, and other parties in interest, as well as attending hearings in Court, have been accorded the highest priority by Kaye Scholer.

- (b) Skill Requisite to Perform Legal Services. Experience, Reputation, and Ability of Kaye Scholer. Kaye Scholer believes that its

expertise in the area of corporate reorganization, coupled with corporate, tax, labor law and litigation skills, has greatly contributed to the progress of these reorganization cases.

- (c) The Customary Fee. Kaye Scholer respectfully submits that the fee sought herein is customary and based on the usual criteria in matters of this type, and is commensurate with fees Kaye Scholer has been awarded in other chapter 11 cases.
- (d) Whether Fee is Fixed or Contingent. Pursuant to the statutory provisions of the Bankruptcy Code, all fees sought by professionals employed under § 327 of the Bankruptcy Code are contingent upon approval by this Court and are largely dependent upon the results achieved. In these cases, the result has been to maximize the value of the estates for the benefit of all parties in interest.
- (e) Nature and Length of Professional Relationship. Kaye Scholer was retained prior to the Filing Date for the purpose of advising and counseling the Debtors. Since its retention, Kaye Scholer has counseled, advised and represented the Debtors at every level in their chapter 11 cases.

74. For the purpose herein of an allowance of compensation, Kaye Scholer deems the fair and reasonable value of its professional services rendered during the Final Period to be the sum of \$564,786.20. Based upon the total attorneys' and paraprofessionals' time expended, and a resulting blended hourly rate of approximately \$322 exclusive of paraprofessionals' time, Kaye Scholer believes the Final Period compensation requested herein to be eminently appropriate.

75. By this Application, Kaye Scholer also seeks reimbursement of its actual, reasonable and necessary out-of-pocket expenses in the aggregate amount of \$61,376.97 incurred during the course of rendering professional services for and on behalf of the Debtors during the Final Period, which reimbursement is sought in accordance with the Guidelines.

WHEREFORE, Kaye Scholer respectfully requests that the Court issue and enter an order granting it a final award of (i) all amounts previously awarded on an interim basis, (ii) \$661,570.60 representing the holdbacks accrued during the Interim Allowance Periods, (iii) \$564,786.20 in compensation for services rendered during the Final Period, (iv) \$61,376.97 for the actual, reasonable and necessary out-of-pocket expenses incurred during the Final Period, and (v) granting such other relief as is just and proper.

Dated: New York, New York
August 31, 1999

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