

Hearing Date:
June 23, 1999
at 10:00 a.m.

Brad Eric Scheler (BS-4862)
Robert E. Gerber (RG-6256)
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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re: :
SALANT CORPORATION, : Chapter 11
Debtor. : Case No. 98 B 10107 (CB)

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CERTIFICATION OF RESPONSIBLE PROFESSIONAL WITH RESPECT
TO APPLICATION OF FRIED, FRANK, HARRIS, SHRIVER &
JACOBSON FOR FINAL ALLOWANCE OF COMPENSATION FOR
SERVICES RENDERED AND REIMBURSEMENT OF EXPENSES

Pursuant to the Guidelines for Fees and Disbursements for
Professionals in Southern District of New York Bankruptcy Cases
issued June 20, 1991, as amended (the "Guidelines"), the
undersigned, a member of the firm of Fried, Frank, Harris,
Shriver & Jacobson ("Fried Frank"), counsel to the former debtor
and debtor-in-possession in the above-captioned confirmed and
consummated chapter 11 case (the "Debtor"), as one of the

professionals designated by Fried Frank with responsibility for compliance with the Guidelines (the "Certifying Professionals"),¹ hereby states, with respect to Fried Frank's application (the "Application") for final allowance of compensation for services rendered and reimbursement of expenses incurred, during the pendency of this chapter 11 case from December 29, 1998 through confirmation of the Debtor's plan of reorganization on April 16, 1999 (the "Application Period"), as follows:

A. Required Certifications

1. Fried Frank Compliance. The undersigned certifies that:

(a) he has read the Application;

(b) to the best of his knowledge, information and belief (formed after reasonable inquiry), the Application complies with the mandatory elements of the Guidelines except as specifically noted in this Certification and explained below;

(c) to the best of his knowledge, information and belief (formed after reasonable inquiry), the fees and disbursements sought by Fried Frank fall within the Guidelines, except as specifically noted in this Certification and described in the Application and below; and

¹ Brad Eric Scheler has overall responsibility for the legal services provided to the Debtor in the Debtor's chapter 11 case; Robert E. Gerber has responsibility for Fried Frank's appearances in the Bankruptcy Court and other day-to-day efforts in the Debtor's chapter 11 case.

(d) except to the extent prohibited by the Guidelines, the fees and disbursements sought by Fried Frank are billed at rates, and in accordance with practices, customarily employed by Fried Frank and generally accepted by Fried Frank's clients.

2. Client Approval. The undersigned certifies that the Application has been reviewed by Mr. Todd Kahn, the Chief Operating Officer and General Counsel of the Debtor, who has approved the Application on behalf of the Debtor.

3. Monthly Statements. The undersigned certifies that Fried Frank has provided the Debtor with a statement of fees and disbursements accruing during each month in a form complying with the requirements of Paragraph A(3) of the Guidelines.²

4. Advance Delivery to Debtor of Application. Because of the lead times required to process and post time charges and disbursements, and the time required to fix the amount of voluntary reductions in requested fees and disbursements and to correct matters discovered in the review process, Fried Frank provided the Debtor with the Application before the date set by the Court for filing it, but did not do so at least 10 days before. As previously noted, the Debtor was previously provided

² This was a short case, during which Fried Frank did not seek interim compensation. On April 30, 1999, Fried Frank provided Mr. Todd Kahn, Chief Operating Officer and General Counsel of the Debtor, with a statement of fees and expenses for each month for the period of December 29, 1998 through March 31, 1999. The Application includes the time charges and posted disbursements for the period April 1 through 16, 1999, which were then not available.

with statements of the fees requested for all but the period April 1-16, 1999, and has approved the Application.

5. Reimbursement for Expenses and Services. In connection with Fried Frank's request for reimbursement of services and out-of-pocket expenses, the undersigned certifies, that, to the best of his knowledge, information and belief (formed after reasonable inquiry):

(a) Fried Frank has not included in the amounts billed a profit in providing those services for which reimbursement is sought in the Application;

(b) Fried Frank has not included in the amounts billed for such services any amounts for amortization of the cost of any investment, equipment or capital outlay, except to the extent that any of the practices described in Paragraph B(2) below may be deemed to be such;

(c) in seeking reimbursement for services that Fried Frank justifiably purchased or contracted for from a third party (such as, but not limited to, temporary paralegal or secretary services, or messenger service), Fried Frank requests reimbursement only for the amounts billed to Fried Frank by the third-party vendors and paid by Fried Frank to such vendors;

(d) Fried Frank has kept records and documentation, which is available upon request, for each item for which reimbursement is sought; and

(e) Fried Frank has attempted to minimize unnecessary expenses; overtime, courier, travel, and meal expenses were

incurred only when the exigencies of the circumstances and the time requirements mandated the incurrence of such expenses.

B. Reimbursement for Expenses and Services.

1. Mandatory Elements. The undersigned states that, to the best of his knowledge, information and belief (formed after reasonable inquiry), the amounts requested in the Application for reimbursement of expenses fully comply with the mandatory elements of the Guidelines. Following the adoption of the Guidelines, Fried Frank commenced a comprehensive study and review to determine its actual costs per page for duplicating. Such study and review was completed by Fried Frank's accounting personnel and as a result, it is the undersigned's belief that at the present time Fried Frank's actual duplicating cost is 12¢ per page. Accordingly, Fried Frank requests reimbursement of internal photocopying expenses at a rate of 12¢ per page in the Application.

2. Non-mandatory Elements. The undersigned further states that to the best of his knowledge, information and belief (formed after reasonable inquiry), the amounts requested in the Application for reimbursement of expenses fully comply with all of the non-mandatory elements of the Guidelines, except insofar as the following practices (which are accurately described to the best of the undersigned's knowledge, information and belief, after reasonable inquiry) may be deemed to be inconsistent therewith:

(a) Computerized Research, Guidelines, Paragraph D(4). In addition to being billed by its computerized research vendors for each research session, Fried Frank additionally is billed by its principal vendors, Lexis/Nexis and West Publishing (for Westlaw), for a subscription fee and rental of the equipment (and by West Publishing, for paper and supplies) and for sales tax, subject to a monthly cap with respect to Lexis/Nexis. Fried Frank requests reimbursement only for the component represented by the billing for each research session, and the sales tax thereupon. Fried Frank does not profit on these services. Indeed, Fried Frank does not include a cost for the amortization of the equipment in these charges. The costs to be recovered for Dow Jones, as to which client charges could not practicably be determined on a research session basis, were determined by computing the pro rata share of the total bill for each of the clients for whom searches were made, with an adjustment, where appropriate, for clients for whom searches were made for only a small part of the month. The firm believes that its Dow Jones practices have been in compliance with the Guidelines, and will continue them in the future. Computerized research was utilized only when it was either required or the most cost-efficient method of research.

(b) Telephone Service, Guidelines, Paragraph D(6). Fried Frank records as a reimbursable expense, without any markup, except as noted below, or other attempt to recover overhead, its costs for long distance telephone calls. A Fried Frank computer, which has been programmed with telephone company rate data, contemporaneously computes the estimated cost of each call, which

normally closely approximates, though it is not necessarily identical to, the charge that ultimately will be made by the long distance carrier at the end of the billing period. The exception is with respect to certain of the firm's calls to Washington, D.C., which are routed over a leased line billed to Fried Frank at a fixed cost; calls to Washington, whether they are routed over the leased line or not, are billed at the rate determined by the computer as the regular charge that would have been made by the long distance carrier for the call. Fried Frank does not include in its charges for telephone services, amortization of the equipment. Fried Frank believes that this manner of computing these charges is the most efficient way of obtaining reimbursement for only those charges incurred. Telephone expenses were minimized to the extent possible. However, because of the geographical location of the Debtor's operations, co-counsel, and parties in interest and their counsel, and the need for prompt communication, long-distance telephone expenses could not be avoided entirely.

(c) Facsimile Transmission, Guidelines, Paragraph D(5). Fried Frank records as a reimbursable expense, without any markup, or other attempt to recover overhead, its toll charges for long distance facsimile communications. The facsimile machines are programmed to compute the estimated toll charge of each transmission, which normally approximates, but is not necessarily identical to, the charge that will ultimately be made by the long distance carrier at the end of the billing period. Fried Frank neither amortizes the cost of the equipment nor makes

a profit through the use of these services. Accordingly, Fried Frank believes that its charges for long distance facsimile transmissions, which were utilized only when the circumstances required, fall within the Guidelines and do not exceed the \$1.25 per page for domestic and \$2.50 per page for international transmission standards of this Court.

(d) Overtime Expense, Guidelines, Paragraph D(9). Where bona fide business necessity requires nonprofessional staff to work overtime, a charge of \$45 per hour for the overtime labor (which is intended to approximate 1-1/2 times the hourly rate of the average Fried Frank secretary³ including payments, such as FICA, that must also be paid), plus a meal allowance of \$7.50 where work is performed past 8:00 p.m., is recorded as a reimbursable expense. Fried Frank additionally would record the same hourly charge (but not the meal allowance) when, to meet a particular client need, one of its regularly scheduled night secretarial personnel was assigned to a desk away from her/his usual evening place of work, and was wholly unavailable to work for any other clients. Although Fried Frank paralegals receive overtime pay when working after hours (subject to certain limits and standards), Fried Frank does not record their overtime pay as a reimbursable expense. Because Fried Frank maintains support

³ Fried Frank does not charge more for the services of the more highly compensated secretaries, or less for those who receive lesser compensation.

services on a 24 hour per day basis, and the great bulk of the administrative work done at night is performed by Fried Frank night staff on its regular shifts without the special desk coverage that makes them unavailable to work for other clients (with their salaries absorbed by the firm at no extra cost to the client), the amounts Fried Frank records as reimbursable overtime labor expenses are significantly lower than they otherwise would be.

(e) Courier Services, Guidelines, Paragraph D(6). On numerous occasions overnight delivery of documents, or use of courier services, was required to meet the needs of the chapter 11 case. Such services, however, were minimized to the extent possible and were utilized when the use of first-class mail services or facsimile transmission would have been impracticable (or more costly, as to facsimile transmissions). In these situations the client was charged only that fee charged by the courier to Fried Frank. Additionally, in all but the most extreme circumstances, Fried Frank has utilized the services of Federal Express or DHL, and has avoided the more expensive courier services.

(f) Word Processing, etc., Guidelines, Paragraph D(11). Throughout the Application Period, Fried Frank recorded as reimbursable expense charges for the use of its word processing system (based upon time and printed pages), in the view that the costs were best absorbed by those clients on whose behalf such services were performed, rather than by all clients. The costs of the word processing services are not included in the firm's

overhead for the purpose of setting billing rates; Fried Frank's fee billing structure during the Application Period was predicated on the continuation of this practice, and Fried Frank did not make the adjustments in its fee structure that would be appropriate if the expenses associated with those services were deemed to be overhead allocable among all clients, to be recovered merely by Fried Frank's rate structure. Fried Frank believes that since its billing rates are not structured to recover these costs, its practices are consistent with the Guidelines.

(g) Photocopying, Guidelines, Paragraph D(3). Photocopying charges were incurred at the rate of 12¢ per page which Fried Frank believes to be its actual cost and which is substantially lower than the Guidelines limit of 20¢. Fried Frank did not profit on these services, nor did it include within the costs a charge allocable to amortization of the equipment.

(h) Travel, Guidelines, Paragraph D(7). Travel expenses in the chapter 11 case by Fried Frank have been minimal. Travel has been restricted to instances where it was necessary. Fried Frank has not sought reimbursement for first class travel, luxury accommodations, deluxe meals or personal and incidental charges incurred during such travel unless necessary as a result of unforeseen circumstances. Travel expenses have been minimized through the use of courier services and telephonic conferences. Fried Frank personnel are reimbursed for mileage charges for travel with personal vehicles in accordance with the limits set by the Internal Revenue Service.

(i) Local Transportation, Guidelines, Paragraph D(12). Due to the time constraints frequently imposed by the circumstances of this case, Fried Frank nonprofessional and professional staff have been required to devote substantial amounts of time during the evenings and weekends in performing its duties as bankruptcy counsel for the Debtor. As a result, taxis and radio car services were required in connection with trips home late in the evening. Fried Frank's policy with regard to such expenses is that the costs of taxis or radio cars, subject to certain limitations which are applicable to all Fried Frank personnel, are, when work is performed to 8:00 p.m. or thereafter, paid for by Fried Frank and recorded as a reimbursable expense. In accordance with the Guidelines, Fried Frank requests reimbursement only for the actual charges billed by the carrier. Fried Frank does not profit from the use of such services.

(j) Meals, Guidelines, Paragraph D(10). In accordance with the Guidelines, Fried Frank seeks reimbursement for professional meals only when such expenses were required either by evening work or in connection with a working meeting between the parties. Fried Frank has requested reimbursement only for those charges actually incurred. The food services company which operates the cafeteria at Fried Frank is unaffiliated with Fried Frank. Fried Frank does not profit when requesting reimbursement for meal expenses.

3. Categorizations. Although Fried Frank has not sought compensation for any expenses prohibited by a mandatory element of the Guidelines, and has not sought compensation for any

expense prohibited by a non-mandatory element of the Guidelines, except as noted above, Fried Frank's record keeping system, which maintained records of reimbursable expenses by a series of computer categories, does not permit disbursements to be categorized in the manner prescribed by the Guidelines (Guidelines, Paragraph D(2)(a)). Differences between the Fried Frank categories during the Application Period and the Guidelines categories are noted below:

(a) Courier and Freight, Guidelines, Paragraph D(2)(a)(iii). In accordance with its past practice, and in the absence of any other specified category, Fried Frank also includes postage in this category.

(b) Local Meals, Guidelines, Paragraph D(2)(a)(xi). Fried Frank expense reporting forms and computer categories during the Application Period did not put into separate categories, as such, meals that were chargeable because the Fried Frank professional was working overtime, on the one hand, or because the meal was consumed at a working meeting, on the other. While technically it would be possible to manually review every expense reporting form for every professional who had worked on the case during the Application Period to ascertain the place, type of meal, and participants at each meal for which reimbursement is sought, this would be an extremely burdensome and expensive undertaking. Thus, Fried Frank cannot practicably segregate the expenses incurred with respect to overtime meals (Guidelines, Paragraph D(2)(a)(x)(b)) and local meals (Guidelines, Paragraph D(2)(a)(xi)).

(c) Local Transportation, Guidelines, Paragraph

D(2)(a)(xii). Fried Frank expense reporting forms and computer categories during the Application Period did not separately categorize expenses for radio car or taxi rides that were chargeable because the Fried Frank professional was working overtime, on the one hand, or because the professional was going to or coming from a meeting, on the other.⁴ While it would be technically possible (although very expensive) to manually review all of the radio car vouchers to ascertain the time, origin, and destination of the trip, even this would be impossible with respect to trips in taxicabs for which the fare was paid in cash. Thus, Fried Frank cannot practicably segregate the expenses incurred with respect to transportation after working overtime (an element of Guidelines, Paragraph D(2)(a)(x)(b)), and with respect to local transportation (Guidelines, Paragraph D(2)(a)(xii)). For this reason, all chargeable transportation expenses have been placed in the same category.

(d) Managing Attorney. Fried Frank has traditionally deemed it useful to segregate expenses incurred by its Managing Attorney's Office, which, among other things, serves pleadings and process, files documents in various courts, retrieves docket sheets and papers from various courts, and monitors actions for

⁴ Fried Frank professionals can and do simply walk from Fried Frank's offices to the Southern District of New York Bankruptcy Court.

orders and decisions. Except with respect to filing fees (which are separately recorded and which constitute a separate "miscellaneous" category), when the Managing Attorney's Office staff members incur expenses that otherwise might be includable in one of the other categories (e.g., photocopying charges at courthouses, or local transportation), such expenses are recorded in the "Managing Attorney" category instead.

Dated: New York, New York
May 28, 1999

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By: /s/ Robert E. Gerber
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A Member of the Firm

247019

Hearing Date:
June 23, 1999
at 10:00 a.m.

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re: :
SALANT CORPORATION, : Chapter 11
: Case No. 98 B 10107 (CB)
Debtor. :

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APPLICATION, PURSUANT TO SECTION 330 OF THE
BANKRUPTCY CODE AND LOCAL BANKRUPTCY RULE
2016-1, OF FRIED, FRANK, HARRIS, SHRIVER &
JACOBSON, ATTORNEYS FOR DEBTOR-IN-POSSESSION
AND REORGANIZED DEBTOR SALANT CORPORATION, FOR
FINAL ALLOWANCE OF COMPENSATION FOR SERVICES
RENDERED AND REIMBURSEMENT OF EXPENSES INCURRED

TO THE HONORABLE CORNELIUS BLACKSHEAR,
UNITED STATES BANKRUPTCY JUDGE

Fried, Frank, Harris, Shriver & Jacobson ("Fried Frank"), attorneys for Salant Corporation, the reorganized debtor and debtor-in-possession (the "Debtor") in the above-captioned confirmed and consummated case under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"), for its application (the "Application"), pursuant to section 330 of the Bankruptcy Code and Local Bankruptcy Rule 2016-1, to recover

final allowance of compensation for professional services rendered, and reimbursement of expenses incurred, during this chapter 11 case (this "Case") -- from its filing on December 29, 1998 through the confirmation of the Debtor's plan of reorganization on April 16, 1999 (the "Application Period," and as used here, "during this Case"), respectfully states as follows:

INTRODUCTION

1. By this Application, Fried Frank seeks compensation for the services it performed during this Case. Fried Frank did not seek interim compensation during this Case; this Application, a final application, is Fried Frank's one and only application for the services it performed for the Debtor.

2. From filing to confirmation of a chapter 11 reorganization plan, this Case lasted only 108 days. That highly expeditious timetable -- a near-record for a chapter 11 case not involving a prepackaged plan -- was largely the result, Fried Frank respectfully submits, of the legal counsel Fried Frank provided, in quantity and quality. This Case moved as smoothly as it did because Fried Frank worked hard on it; anticipated matters and timely addressed them; met its responsibilities and ensured that the Debtor did likewise; and resolved all but the most critical issues with the need for little or no Court intervention. When matters did require the attention of the Court, Fried Frank's lawyering was thorough and attentive, with

the goal of minimizing, to the extent possible, the resulting burdens on the Court.

3. The result in this Case was an outstanding one. The Debtor's sale of non-core assets under Fried Frank's stewardship, an important aspect of this Case, was so successful that the Debtor emerged from chapter 11 with a zero balance on its revolver. General unsecured creditors received 100¢ on the dollar on their claims, with interest, and the Debtor's undersecured bondholders received the controlling equity in a dramatically de-leveraged entity that is now positioned to be a stronger competitor in the marketplace.

4. With that said, Fried Frank seeks no compensation premium; it simply seeks its regular rates for the work it put in.

BACKGROUND

5. The Debtor is a Delaware corporation that has its principal place of business at 1114 Avenue of the Americas, New York, New York. The Debtor designs, manufactures, imports and markets to retailers throughout the United States brand name and private label apparel products. The Debtor sells its products to department and mass volume retailers throughout the United States.

6. In or about December 1997, the Debtor engaged Fried Frank (which had also provided services for the Debtor on non-bankruptcy matters) to assist with respect to its financial difficulties. In October 1998, it became apparent that the Debtor might have to seek relief under chapter 11, and the Debtor

directed Fried Frank to prepare, on behalf of the Debtor, a chapter 11 petition and all of the related documents to commence this Case, along with the reorganization plan it would file on the first day of this Case.

7. On December 29, 1998 (the "Filing Date"), after authorization by its Board of Directors, the Debtor filed with the United States Bankruptcy Court for the Southern District of New York (the "Court") its voluntary petition for relief under chapter 11 of the Bankruptcy Code. On the Filing Date, the Debtor also filed the Plan, which would implement the prenegotiated restructuring. On April 16, 1999, the Court entered its order confirming the Plan. Until the Effective Date under the Plan, the Debtor continued to operate its business and manage its properties as a debtor-in-possession.

8. Pursuant to the order of this Court, dated December 29, 1998, the Debtor was authorized to employ and retain Fried Frank as its counsel. This Application is made by Fried Frank in accordance with section 330(a) of the Bankruptcy Code and Local Bankruptcy Rule 2016-1 for final allowance of compensation for professional services rendered and for reimbursement of expenses incurred on behalf of the Debtor during this Case.

THE APPLICATION

9. As more fully described below, the professional services rendered by Fried Frank during the Application Period included, among other matters:

- (i) the rendering of legal advice with respect to the Debtor's powers and duties as debtor-in-possession in the continued operation of its business and management of its properties;
- (ii) advising the Debtor with respect to the host of issues in connection with its operation under chapter 11, and the rules under which it would have to conduct its business;
- (iii) the filing of necessary motions and institution of necessary actions to protect and preserve the Debtor's estate;
- (iv) the preparation of necessary motions, applications, orders and papers in connection with the administration of the Debtor's estate;
- (v) the negotiation of sales of the Debtor's non-Perry Ellis businesses; the drafting of agreements and related documents to implement those sales; the preparation of motions and orders in connection with the bidding procedures and sale of those businesses; and prosecution of those motions;
- (vi) negotiation and drafting of agreements incident to the termination of businesses that would not be sold;
- (vii) a vigorous defense to the confirmation objection, thereafter resolved, of Supreme International Corporation ("Supreme"), the acquiror of Perry Ellis International, the licensor to the Debtor of the Perry Ellis licenses upon which the Debtor's future business would be based;
- (viii) negotiations with Supreme in connection with the Perry Ellis licenses, and Supreme's objection to confirmation;
- (ix) negotiations with the PBGC to reach agreement as to the Debtor's pension plans, and the drafting of that agreement;
- (x) drafting of employment agreements for the management of the Reorganized Debtor, and of separation agreements for old management;

- (xi) numerous hearings before this Court;
- (xii) the handling of routine day-to-day matters which arose in the Case;
- (xiii) the preparation for, and participation in, meetings and telephone conferences with representatives of the Debtor's creditors, lender and other interested parties;
- (xiv) implementation of the post-petition financing arrangements with The CIT Group/Commercial Services, Inc. ("CIT"), and, thereafter, the Debtor's exit financing facility with CIT;
- (xv) communications with vendors and their attorneys, and the response to questions regarding the progress and administration of the Case;
- (xvi) advising the Debtor regarding compliance with securities law disclosure and reporting requirements and assisting in the preparation of required current and periodic reports;
- (xvii) revisions to the Plan and exhibits and the related First Amended Disclosure Statement (the "Disclosure Statement");
- (xviii) preparation for and prosecution of the hearing on confirmation of the Plan, and negotiations to obviate and settle obligations;
- (xix) the rendition of general corporate, tax, employee benefits, litigation, financing and loan compliance advice, and meeting with and advising the Debtor's Board of Directors; and
- (xx) the preparation of the documents incident to consummation, including among other things, documents relating to the new credit agreement, corporate governance and exchange of old common stock for new common stock.

10. Fried Frank attorneys became fully versed in all aspects of the Debtor's business, and Fried Frank advised the Debtor with respect to all the legal issues that ordinarily face

a large corporation, in addition to the numerous issues arising in this chapter 11 case.

11. Members and associates of Fried Frank devoted hundreds of hours to addressing the demands and concerns of creditors, suppliers, landlords, employees, customers and other interested parties in an effort to stabilize the Debtor's business relationships, and to minimize dislocations and adverse effects inherent in a chapter 11 case. In most instances, potential disputes were resolved without resort to Court.

12. While a number of attorneys at Fried Frank performed services on behalf of the Debtor within their areas of expertise, the great majority of the services were performed by partners and associates of Fried Frank's Bankruptcy and Restructuring Department. Fried Frank enjoys a national reputation for its skills in the field of debtors' and creditors' rights, and for its ability to handle difficult assignments in creative and efficient ways.

13. Brad Eric Scheler, Chairman of the Fried Frank Bankruptcy and Restructuring Department, was the Fried Frank partner in charge of this engagement, and supervised the joint efforts of Fried Frank's bankruptcy, corporate, benefits, tax, real estate, intellectual property and litigation attorneys. Because of the burdens in addressing the many matters in the Case, the day-to-day responsibility for, and administration of, the Debtor's chapter 11 case was divided between two other partners to meet the Debtor's needs. Robert E. Gerber was the partner in charge of the day-to-day administration of the

Debtor's chapter 11 case, and the Debtor's interface with the Court. Lawrence A. First, another Fried Frank partner, was primarily responsible for the corporate work for the Debtor, in the bankruptcy, in the asset dispositions, and in connection with those issues that would arise for any large company like the Debtor, particularly one subject to reporting requirements under applicable securities laws. Messrs. Scheler, Gerber and First and a core group of associates devoted considerable time during the Application Period to services in connection with the Debtor's general legal needs, often to the preclusion of other firm matters. In addition, other partners and associates, who were called upon to assist in times of need, devoted time to the Case. This experienced group of attorneys made every effort to assure that this Case progressed in as efficient and expeditious a manner as possible.

14. During the Application Period, the partners, associates and paraprofessionals of Fried Frank devoted in excess of 3,360 hours in the rendition of professional services on behalf of the Debtor. A schedule setting forth the number of hours devoted by each Fried Frank partner, associate and paraprofessional accompanies this Application as Exhibit A.

15. During the Application Period, Fried Frank's fees were \$1,114,551, after voluntary reductions in requested fees (aggregating approximately \$30,000), which were at its usual and customary hourly rates. In light of the complexity of this Case, the results achieved, the time devoted (often under severe time constraints and to the preclusion of other matters), the aggregate

size of the estate, the skill of Fried Frank's adversaries, awards in similar cases and the other factors pertinent to allowances of fair and reasonable compensation, Fried Frank is requesting final allowance of compensation for all services provided during the Application Period in the amount of \$1,114,551, after voluntary reductions in requested fees, without any premium or other adjustment.¹

16. In addition, Fried Frank seeks the reimbursement of the disbursements it incurred and recorded on behalf of the Debtor during this Case -- again after reductions voluntarily taken -- in the amount of \$99,783.²

¹ Subsequent to the Application Period, from April 17, 1999 -- the day following the date upon which this Court confirmed the Plan -- and May 11, 1999 -- the effective date of the Plan -- Fried Frank's fees, which are not covered by this Application, were to the extent now recorded and thus known, \$165,055 at its usual and customary hourly rates. This amount does not include time that has not yet been posted.

² Likewise, subsequent to the Application Period, from April 17, 1999 to May 11, 1999, Fried Frank's necessary and actual expenses incurred on behalf of the Debtor, which are not covered by this Application, were, to the extent now posted \$15,401. This amount does not include disbursements that have not yet been posted.

There is usually a delay between the time disbursements are incurred and the time they are posted by Fried Frank to clients' disbursement accounts, as a result of the billing cycles and/or billing delays on the part of the vendors who provide services to Fried Frank, and internal accounting requirements. Subject to the views of the Court, if (as is possible and perhaps likely) any additional disbursements are posted and their amount becomes known after the hearing on this Application, if this Application is approved Fried Frank will bill and obtain reimbursement for those additional amounts without a second Court order.

17. There does not exist any agreement or understanding between Fried Frank and any other entity for the sharing of compensation to be received for services rendered in or in connection with this chapter 11 case.

18. As set forth in detail in the December 29, 1998 affidavit of Brad Eric Scheler pursuant to Bankruptcy Rule 2014, prior to the Filing Date and in connection with its representation of the Debtor concerning its financial difficulties, Fried Frank received a \$250,000 advance payment (the "Advance Payment") on account of (a) pre-petition services (principally for those that would thereafter be performed) and disbursements (principally those that would thereafter be incurred and/or posted), and (b) post-petition services. Fried Frank has continued to hold an amount (computed to be approximately \$105,761) equal to the Advance Payment less the pre-petition fees and disbursements now posted, subject to further order of the Court.

SUMMARY OF SERVICES RENDERED
DURING THE APPLICATION PERIOD

19. Fried Frank does not wish to burden the Court with an overly detailed or lengthy recitation of each and every matter with respect to which it rendered services. The attorneys and paraprofessionals of Fried Frank maintained daily detailed records of their time concurrently with the rendition of professional services. To the fullest extent possible, the details of each and every conference, telephone conversation,

negotiating session, letter, memorandum, factual investigation, drafting activity and research project that occupied the time of a Fried Frank professional were set forth in such time records. Accompanying this Application as Exhibit B are compilations of the contemporaneous daily time entries recorded by Fried Frank's attorneys and paraprofessionals during the Application Period.³ Those entries describe in full and complete detail the services rendered by each attorney and paraprofessional, as corrected to reflect errors that were found in Fried Frank's review. Accordingly, the following is intended to serve as a summary description of the principal professional services Fried Frank rendered, and to highlight the benefits that were thereby conferred upon the Debtor and its creditors.

I. Early Stages of the Case

A. Petition and First-Day Pleadings

20. On December 29, 1998, Fried Frank filed the Debtor's petition and first-day papers. On the first day of the Case, Fried Frank presented to the Court numerous applications, motions, proposed orders and, where applicable, affidavits, seeking orders, on behalf of the Debtor, inter alia:

(i) authorizing the Debtor's retention and employment of Conway, Del Genio, Gries & Co., LLC ("CDG") as financial advisor;

(ii) authorizing the Debtor's retention and employment of Deloitte &

³ Due to the voluminous nature of Exhibit B, Fried Frank has provided Exhibit B only to the Debtor, the Court and the Office of the United States Trustee.

Touche LLP as independent auditors,
accountants and tax consultants;

(iii) authorizing the Debtor to retain
professionals utilized in the ordinary
course of business;

(iv) authorizing the Debtor to obtain
interim post-petition financing;

(v) authorizing the Debtor to pay pre-
petition wages, commissions, reimbursable
employee expenses, workers' compensation
and employee benefits, and related taxes
and processing fees;

(vi) authorizing payment of pre-
petition customs duties and customs broker
charges;

(vii) confirming the grant of
administrative expense status to Debtor's
obligations arising from the post-petition
delivery of merchandise;

(viii) authorizing maintenance of
existing bank accounts, and use of
existing business forms, stationery and
checks;

(ix) authorizing the Debtor to pay
sales and use taxes arising from pre-
petition sales;

(x) authorizing the Debtor to retain
Donlin Recano & Co., Inc. as agent for the
Clerk of Court;

(xi) fixing a deadline for filing
proofs of claim, approving the form of
notice of deadline and approving the
manner of service of the notice of
deadline;

(xii) authorizing payment of certain
pre-petition shipping charges and related
possessory liens;

(xiii) enjoining utilities from
altering, refusing or discontinuing
utility services to the Debtor and

declaring that utilities had been provided with adequate assurance of future payment; and

(xiv) fixing a date, time and place for hearing to consider approval of the Debtor's disclosure statement and solicitation procedures, approving notice of the hearing and the notice of the first meeting of creditors pursuant to section 341 of the Bankruptcy Code.

21. The orders sought and obtained on the first day of this Case enabled the Debtor to proceed with its reorganization with minimal disruption of its business and with minimal hardship to its employees.

B. Post-Petition Debtor-In-Possession Financing

22. Concurrently with the preparation of the Debtor's chapter 11 petition and related documents and applications, Fried Frank represented the Debtor at numerous meetings with CIT with respect to the negotiation and implementation of a post-petition revolving credit facility. As a result of these negotiations, the Debtor reached an agreement with CIT whereby CIT agreed to provide the Debtor with \$85 million of working capital, secured by liens and security interests in all of the Debtor's property and assets (the "Revolving Credit Agreement"). The Revolving Credit Agreement also included a \$30 million subfacility for the issuance of letters of credit.

23. The Revolving Credit Agreement was arduously negotiated to address the Debtor's credit needs during the pendency of the Case, while allowing the Debtor to continue to function in substantially the manner in which it functioned prior to the Filing Date.

24. On the Filing Date, Fried Frank prosecuted its motion for approval of the Revolving Credit Agreement on an interim basis, subject to a final hearing. On the Filing Date, the Court entered an order approving the Revolving Credit Agreement on an interim basis.

25. Between the Filing Date and the date of the final hearing on the post-petition debtor-in-possession financing, Fried Frank negotiated with CIT a final order authorizing the Debtor to (i) obtain post-petition financing and (ii) incur post-petition indebtedness secured by liens on and security interests in all of the Debtor's then existing and after-acquired assets and property.

26. On January 19, 1999, Fried Frank prosecuted the Debtor's motion for final approval of the Revolving Credit Agreement at a hearing before this Court. On January 20, 1999, this Court signed an order approving the Revolving Credit Agreement and post-petition debtor-in-possession financing.

C. Utilities

27. The Debtor's business was, as it still is, dependent on utility services provided by a total of approximately 350 utilities. Providing new or additional security to each of those approximately 350 utilities, in order to obtain utility services at each of the Debtor's numerous locations, would have created an extraordinary and unnecessary burden on the Debtor's estate.

28. In this regard, Fried Frank commenced an adversary proceeding on the Filing Date seeking an order (i) restraining and enjoining all entities furnishing the Debtor with electricity, telephone, heat, water, gas, sewer, trash collection and all such similar services (the "Utilities") from altering, refusing or discontinuing utility services to the Debtor; (ii) directing all Utilities to provide continued and uninterrupted utility services to the Debtor; and (iii) declaring that Utilities had been provided adequate assurance of future payment in accordance with section 366 of the Bankruptcy Code (the "Utilities Action"), in anticipation of future threats or other actions against the Debtor to discontinue services vital to the continuation of the Debtor's business. (Such threats and actions did, in fact, materialize, though probably not in the numbers that would have been encountered if Fried Frank had not filed the motion it did).

29. On the Filing Date, the Court granted the Debtor a temporary restraining order enjoining Utilities from altering, refusing or discontinuing utility service to the Debtor pending a hearing on the Utilities Action, and directing Utilities to show cause why an order should not be entered (i) affording to all Utilities, as full and complete adequate assurance of future payment in accordance with section 366 of the Bankruptcy Code, administrative expense priority pursuant to sections 503(b) and 507(a) of the Bankruptcy Code for any unpaid utility charges arising subsequent to the commencement of the Case; (ii) restraining and enjoining all Utilities from altering, refusing,

or discontinuing utility service to the Debtor; and (iii) directing all Utilities to provide continued and uninterrupted utility service to the Debtor.

30. A hearing on the Utility Action was held on January 14, 1999. Fried Frank prosecuted the Utility Action at the hearing, at which time the Court heard argument from Fried Frank and an attorney representing a number of the Utilities, including GTE. The Utility Motion was granted by the Court as to the great bulk of the Utilities, and the hearing was adjourned with respect to GTE.

31. Subsequent to the hearing, Fried Frank conducted extensive negotiations with another utility, BellSouth Telecommunications, Inc. ("BellSouth") (i) to ensure continued utility service without a deposit and (ii) fixing the amount of BellSouth's pre-petition claim. Pursuant to these negotiations, Fried Frank prepared and filed a proposed consent order. The consent order was signed by this Court on May 4, 1999.

32. As a result of Fried Frank's efforts, the Debtor was not required to pay any security deposits. In contrast, if each Utility had required just a one-month post-petition deposit, the Debtor would have had to post approximately \$450,000 in deposits. Equally importantly, Fried Frank's efforts gave the Debtor the wherewithal to respond to the threats and efforts to terminate utility service, and to ensure that its business was not disrupted.

D. Section 341 Meeting

33. As required by section 341 of the Bankruptcy Code, a meeting of creditors was held on February 11, 1999 and continued on March 23, 1999. Fried Frank was required to prepare the Debtor for these meetings, to prepare and deliver part of the presentation on behalf of the Debtor, and to respond to questions from the Office of the United States Trustee concerning the Case.

E. Schedules and Statements

34. Fried Frank advised and assisted the Debtor with regard to the preparation of its various schedules and statements. Fried Frank worked with the Debtor to instruct the Debtor as to the preparation and presentation of those documents, and to assist it in preparing its Schedule of Executory Contracts and Unexpired Leases; Schedule of Current Income and Expenditures; Statement of Financial Affairs; and Schedules of Assets and Liabilities.

II. DISPOSITION OF NON-PERRY ELLIS BUSINESSES

35. Prior to the Filing Date, the Debtor determined, in its business judgment, to operate substantially as a stand-alone Perry Ellis business after emerging from bankruptcy. In that connection, the Debtor determined to sell or otherwise dispose of substantially all of its businesses other than its Perry Ellis business.

A. Dress Shirt Business

36. Prior to the Filing Date, Fried Frank participated in extensive negotiations on behalf of the Debtor with various parties regarding the sale of the Debtor's non-Perry Ellis dress

shirt business (the "Dress Shirt Business"). As a result, Fried Frank drafted numerous versions of an asset purchase agreement and related ancillary documents. The negotiations resulted in a Purchase and Sale Agreement, dated as of December 28, 1998 (the "Dress Shirt Sale Agreement") with Supreme.

37. In connection with the Dress Shirt Sale Agreement, Fried Frank drafted, and filed on January 6, 1999, a motion seeking approval of the Dress Shirt Sale Agreement, and establishing bidding procedures for higher and better bids. Certain parties filed objections to the proposed bidding procedures. After negotiations with these parties did not resolve all objections, Fried Frank drafted, and filed on February 2, 1999, a response to the remaining objections. Thereafter, Fried Frank prosecuted the bidding procedures motion, and this Court approved the proposed bidding procedures on February 3, 1999.

38. From February 3, 1999 through February 18, 1999, numerous potential bidders conducted due diligence with respect to the Dress Shirt Business. In connection with such due diligence, Fried Frank, together with CDG, organized a due diligence room and responded to questions and due diligence inquiries of the potential bidders. On February 24, 1999, an auction for the Dress Shirt Business was held before this Court. The auction was extremely successful and produced a final bid of \$27 million from Supreme, \$10 million over the original bid contemplated by the Dress Shirt Sale Agreement.

39. Upon conclusion of the auction, Fried Frank worked with the Debtor and CDG to consummate the sale transaction as soon as possible. For logistical reasons it was necessary to have a two part closing. The first closing occurred on March 26, 1999, and the second closing occurred on March 29, 1999. Fried Frank drafted and negotiated the documents necessary to effectuate the two part closing.

B. Children's Business

40. Prior to and following the Filing Date, Fried Frank participated in negotiations to sell certain assets of the Debtor's children's clothing business (the "Children's Business") to Wormser Company ("Wormser").

41. The Debtor and Wormser entered into a purchase and sale agreement on January 14, 1999 (the "Children's Sale Agreement"). Fried Frank filed a motion to approve the Children's Sale Agreement and establish bidding procedures on January 15, 1999. The Court approved the bidding procedures motion on February 5, 1999. The sale (which ultimately was to Wormser) was approved by the Court on February 18, 1999.

42. After approval of the sale, Fried Frank worked with Wormser's counsel to effectuate a closing as soon as possible. For logistical reasons it was necessary to have a two part closing. The first closing occurred on February 26, 1999, and the second closing occurred on March 19, 1999. Fried Frank drafted and negotiated the documents necessary to effectuate the two part closing.

C. Joe Boxer License

43. After selling certain assets of the Children's Business to Wormser, the Debtor determined that it no longer had a need for its license with Joe Boxer Corporation ("Joe Boxer"). In this regard, Fried Frank negotiated and drafted an agreement to terminate the Debtor's license with Joe Boxer to manufacture, import, sell, distribute, advertise and merchandise sleepwear and underwear under the JOE BOXER trademark in the United States. Fried Frank prepared, and filed, on February 4, 1999, a motion seeking approval of this agreement. This Court entered an order approving the Joe Boxer agreement on February 24, 1999.

D. Sears, Roebuck and Co.

44. Fried Frank assisted the Debtor in negotiating and documenting an agreement terminating the Debtor's status as a vendor to Sears, Roebuck and Co. ("Sears"), which included the sale of the Debtor's remaining inventory made exclusively for Sears. Fried Frank prepared, and filed on April 7, 1999, a motion seeking approval of the resulting agreement with Sears. The Court entered an order approving this agreement on April 27, 1999.

III. PENSION AND EMPLOYMENT ISSUES

A. Agreement With Pension Benefit Guaranty Corporation

45. During the Application Period, Fried Frank represented the Debtor in extensive negotiations with the Pension Benefit Guaranty Corporation (the "PBGC") in contemplation of an agreement concerning the future of the Debtor's defined benefit pension plans (the "Pension Plans") and the PBGC's actions in

connection with the Pension Plans. As a result of these discussions and negotiations, Fried Frank, on behalf of the Debtor, reached an agreement with the PBGC whereby the PBGC agreed, among other things, to (i) withdraw its proofs of claim; (ii) support confirmation of, and vote to accept, the Plan; and (iii) refrain from taking any action with respect to the Pension Plans pursuant to Title IV of ERISA or otherwise arising out of facts then known to it, or events that were then contemplated to occur following the effective date of the Plan (the "PBGC Agreement").

46. Fried Frank negotiated and documented the PBGC Agreement. The PBGC Agreement addressed the Debtor's desire to maintain the Pension Plans, while addressing the PBGC's desire to have the Pension Plans funded in accordance with applicable law and to be provided with security in the event that either or both of the Pension Plans were terminated under adverse circumstances.

B. Transition, Consulting, Separation and Employment Arrangements

47. After the Filing Date, Fried Frank represented the Debtor in negotiations with several of the Debtor's prior, current and future management personnel (and their respective counsel) relating to their transition, consulting and separation arrangements with the Debtor. Similarly, Fried Frank represented the Debtor in negotiations with its management in connection with employment agreements with the Debtor for future services. Fried Frank devoted a substantial amount of time negotiating the terms of, and drafting definitive documentation memorializing, the

various transition, consulting, separation and employment arrangements. These discussions and negotiations resulted in an agreed transition and consulting arrangement between the Debtor and Jerald S. Politzer, the Debtor's former Chairman and Chief Executive Officer; a separation agreement between the Debtor and Philip A. Franzel, the Debtor's former Executive Vice President and Chief Financial Officer; and employment agreements between the Debtor and each of Michael A. Setola, the Debtor's current Chairman and Chief Executive Officer, and Todd Kahn, the Debtor's current Chief Operating Officer and General Counsel.

IV. PLAN OF REORGANIZATION

A. Plan Formulation

48. During the Case, Fried Frank devoted considerable effort revising the Plan and Disclosure Statement. This effort -- the result of intensive negotiations and discussions between and among the Debtor, CIT, and Magten Asset Management Corp. ("Magten"), the beneficial owner or the investment manager on behalf of approximately \$74 million in aggregate principal face amount of the Debtor's 10-1/2% Senior Secured Notes due December 31, 1998 (the "Senior Notes") -- culminated in the filing of the First Amended Plan and First Amended Disclosure Statement on February 3, 1999.

49. In addition, Fried Frank attorneys prepared and revised other plan related documents. Fried Frank drafted, besides the Plan and Disclosure Statement, (i) a registration rights agreement, (ii) a stock award and incentive plan,

(iii) employment agreements, and (iv) corporate governance documents. Fried Frank attorneys also undertook extensive research of securities law issues and tax law issues related to these endeavors.

50. The preparation of the Plan and Disclosure Statement required lawyers of many different disciplines. Fried Frank attorneys from a variety of departments, including tax, litigation, benefits and, of course, Bankruptcy and Restructuring, used their specialized training to ensure that each issue in the Plan and Disclosure Statement was covered thoroughly and in the most efficient manner possible. Although a large portion of the effort in preparing these crucial documents was devoted by the core group of Bankruptcy and Restructuring attorneys, this was a multidepartmental effort.

B. Disclosure Statement Approval

51. In accordance with section 1125 of the Bankruptcy Code, this Court conducted a hearing on the adequacy of the information contained in the Disclosure Statement on February 3, 1999. The services performed by Fried Frank in this connection included, among other things, research and analysis, and the subsequent drafting of a response, with respect to an objection by the United States Trustee to the adequacy of the Disclosure Statement, which was not so much directed to disclosure statement adequacy as such, as to the substantive entitlement of unimpaired general unsecured creditors to post-

petition interest. On February 3, 1999, this Court entered an order approving the Disclosure Statement.

C. Confirmation of the Plan

52. The services performed by Fried Frank incident to the confirmation hearing (the "Confirmation Hearing") included -- in addition to the now-resolved objection of Supreme, discussed separately below -- research and analysis of issues in connection with other potential objections to confirmation, and preparation of a confirmation order. Additionally, Fried Frank spent numerous hours during the weeks leading up to the Confirmation Hearing dealing with parties in interest, attempting to negotiate a resolution of all potential objections.

53. The Confirmation Hearing went forward on March 25, 1999, at which time the Court reserved decision after lengthy oral arguments as to the objection to confirmation by Supreme. On April 16, after the objection by Supreme (the only remaining objection) was consensually resolved, the Plan was confirmed.

V. PROTECTION OF THE ESTATE

A. Response to Supreme Objection

54. During the pendency of this Case, Supreme acquired Perry Ellis International Inc., the licensor of the Debtor's Perry Ellis brands (the "PEI Licenses") -- the Debtor's most valuable asset and the key asset around which the Debtor intended to reorganize. Even before the acquisition was finalized, and while extensive negotiations were ongoing between Fried Frank and Supreme's counsel, Supreme sought to assert rights as licensor-

to-be by objecting to confirmation of the Plan. In its objection (the "Supreme Objection"), Supreme argued, among other things, that confirmation of the Plan would trigger provisions in the PEI Licenses and related documents that would result in Supreme/PEI's right to terminate the PEI Licenses -- resulting in the forfeiture of the licenses upon which the Debtor's whole reorganization was based. The matter was, in short, of the highest conceivable importance.

55. The Supreme Objection, if successful, would have blocked confirmation of the Plan, and probably would have prevented the Debtor from reorganizing at all. Accordingly, Fried Frank was required to, and did, proceed on two tracks. Fried Frank continued to seek a consensual resolution of the matter, and simultaneously devoted massive effort to addressing it on the merits. Fried Frank conducted exhaustive research of the relevant issues and drafted strong opposition papers. As the date of the confirmation hearing approached, Fried Frank also prepared for a contested confirmation hearing, including preparation for legal arguments, live witnesses, and related exhibits.

56. The confirmation hearing went forward on March 25, 1999, with the Supreme Objection as the only remaining objection to confirmation of the Plan. At the hearing, Fried Frank presented the Debtor's position in extensive oral argument before the Court. After the Court reserved decision, Fried Frank continued in negotiations with Supreme's counsel to consensually resolve the Supreme Objection. Recognizing that if Supreme lost,

Supreme would likely appeal and seek a stay -- which would block the Debtor's exit from chapter 11 and, likewise, thwart the Debtor's reorganization -- Fried Frank prepared papers to defend against an application for a stay. Ultimately, the settlement negotiations between the Debtor and Supreme were successful, and the settlement removed the last remaining hurdle to the Debtor's successful (and expeditious) reorganization.

B. Rodriguez-Olvera Matter

57. On the Filing Date, the Debtor was a defendant in Trial Court Case No. 97-07-14605-CV, Maria Delores Rodriguez-Olvera, et al. vs. Salant Corp., et al., in the 365th Judicial District Court of Maverick County, Texas (the "Rodriguez-Olvera Action"). The plaintiffs in that action (the "Rodriguez-Olvera Plaintiffs") asserted personal injury, wrongful death, and survival claims based on a tragic accident that occurred in Mexico. Prior to the Filing Date, the Debtor instituted an action for a writ of mandamus, captioned In re: Salant Corporation, et al. (the "Mandamus Action"), which asked the Court of Appeals for the Fourth District of Texas at San Antonio to grant a writ of mandamus directing the trial court to dismiss the underlying claims in the Rodriguez-Olvera Action under the doctrine of forum non conveniens or, alternatively, directing the trial court to apply Mexican law. Additionally, the Debtor was a defendant in an action captioned Hartford Fire Insurance Company v. Salant Corporation, Cigna Insurance Company, et al., in the Supreme Court of the State of New York (the "Declaratory Judgment

Action"), relating to the Debtor's insurance coverage for the claims that were the subject of the Rodriguez-Olvera Action. In the latter action, the Debtor's insurers sought a declaratory judgment declaring that the claims asserted in the Rodriguez-Olvera Action were not covered under their policies.

58. Prior to the Filing Date, the Debtor had devoted substantial time and resources in the Mandamus Action, which if the Debtor were successful, would materially reduce the Debtor's exposure in the Rodriguez-Olvera Action. Similarly, the Debtor wished the Declaratory Judgment Action to proceed to resolution in order to determine whether, and/or to what extent, its exposure in the Rodriguez-Olvera Action was insured.

59. Accordingly, Fried Frank researched, drafted and, on February 24, 1999 filed, a motion (the "Modify Stay Motion") seeking to modify the automatic stay to allow the Declaratory Judgment Action and the Mandamus Action to proceed to resolution, and to enlarge the time within which to file notices of removal.

60. Counsel for the Rodriguez-Olvera Plaintiffs filed an objection to the Modify Stay Motion, and a separate motion to lift the automatic stay to allow the Rodriguez-Olvera Action to proceed.

61. Fried Frank engaged in substantial research on those matters, and drafted papers in opposition to those filed by the Rodriguez-Olvera Plaintiffs. However, as was its practice throughout the Case, Fried Frank engaged in concurrent negotiations with the Rodriguez-Olvera Plaintiffs to try to resolve the matter consensually. Here too Fried Frank was

successful, and after extensive negotiations, and prior to the scheduled hearing on the respective motions, Fried Frank prepared and filed a consent order that was signed by this Court on March 15, 1999.

C. Creditor Communications

62. On and after the Filing Date, Fried Frank received and replied to hundreds of calls from creditors and their attorneys. These calls concerned all aspects of the Case, including but not limited to, landlord and tenant issues, questions concerning the deadline for filing proofs of claim, the Debtor's post-petition financing, the Debtor's schedules and statements, and the Plan.

D. Tax Related Matters

63. During the Application Period, Fried Frank researched and considered a number of tax issues that arose in the Case. Fried Frank devoted a substantial amount of time to tax issues arising in connection with the formulation of the Debtor's Plan and the related Disclosure Statement.

E. Vendor Relations

64. On and after the Filing Date, Fried Frank received numerous inquiries from vendors of the Debtor and their attorneys, and Fried Frank made its best efforts to respond to all of them. In many cases, Fried Frank's efforts involved much more than simply providing information, and Fried Frank worked with the Debtor to address all of the vendors' needs and

concerns, which included negotiating credit terms and fixing the amount of certain key vendors' pre-petition claims.

F. Responsibilities As General Counsel

65. It is important to remember that Fried Frank was not just the Debtor's bankruptcy counsel; Fried Frank was the Debtor's principal outside counsel, and its responsibilities included, in addition to bankruptcy matters, all of the legal services that are required for a large publicly held corporation subject to the requirements of the federal securities laws. Thus the matters this Court saw in hearings, and even in the papers, were, to a very substantial degree, the tip of the iceberg. A wide variety of corporate and other non-bankruptcy matters were addressed by Fried Frank, as documented in the daily time entries that accompany this Application.

OTHER SERVICES PERFORMED BY FRIED FRANK

66. The foregoing only touches upon the highlights of the professional services rendered by Fried Frank on behalf of the Debtor during the Application Period. Numerous other professional services were also rendered by Fried Frank in the discharge of its responsibilities. The Court undoubtedly is cognizant of the substantial demands placed upon a debtor's attorneys in a large and complex reorganization case. Throughout a chapter 11 case, the attorneys for a debtor are the focal point for the submission of inquiries, written communications, requests, demands and complaints from creditors, and other interested parties. Fried Frank devoted numerous hours to the

fulfillment of these professional duties and responsibilities, and made every effort to respond orally or in writing to each and every communication concerning the status of the Case, and many other matters.

67. Fried Frank maintained a regular dialogue with the Debtor's management and rendered legal advice on a continuing basis with respect to the myriad of problems arising in connection with the conduct of the Debtor's business generally and as a debtor-in-possession under chapter 11 of the Bankruptcy Code. The working relationship between Fried Frank's lawyers and the Debtor's management and other employees enabled Fried Frank to stay abreast of the steps being taken to implement the restructuring of the Debtor's business, and to anticipate legal issues and problems that might arise.

68. Additionally, Fried Frank maintained a dialogue with representatives of Magten, the Indenture Trustee for the Secured Notes, CIT and the Office of the United States Trustee. During the Case, attorneys from Fried Frank's Bankruptcy and Restructuring Department, on numerous occasions, briefed counsel for these constituencies as circumstances required on ongoing matters in an effort to reach understandings on matters that would arise without the need for intervention of the Court. This had the effect of facilitating the progress of this Case, and, at the same time, saving the Court and the Debtor the time and expense that would have been occasioned by litigation. Fried Frank likewise had numerous communications with suppliers, creditors, lessors and other interested parties.

69. As indicated above, numerous motions seeking necessary relief were prepared by Fried Frank, served upon and discussed with the numerous parties in interest, and successfully pursued before the Court. Many of these motions required Fried Frank's attorneys to expend significant amounts of time communicating with the Debtor's officers and other personnel so that appropriate legal advice could be rendered and the requested relief obtained. Fried Frank additionally reviewed lengthy documents and researched novel and complex legal issues. Frequently, partners and associates of Fried Frank worked late into the evenings and weekends in order to fulfill the requirements of the Case.

APPLICABLE AUTHORITY

70. In awarding compensation pursuant to section 330 of the Bankruptcy Code to counsel for a Debtor, the Court must take into account the cost of comparable non-bankruptcy services, among other factors. Section 330(a) of the Bankruptcy Code provides in pertinent part:

(1) . . . [T]he court may award to a trustee, an examiner, a professional person employed under section 327 or 1103 -

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

(B) reimbursement for actual, necessary expenses.

* * *

(3) (A) In determining the amount of reasonable compensation to be awarded, the court shall consider the nature, the extent, and the value of such services, taking into account all relevant factors, including -

(A) the time spent on such services;

(B) the rates charged for such services;

* * *

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

* * *

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

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

11 U.S.C. § 330(a). The legislative history of section 330 states:

The effect of [section 330] is to overrule . . . cases that require fees to be determined based on notions of conservation of the estate and economy of administration. If [those cases] were allowed to stand, attorneys that could earn much higher incomes in other fields would leave the bankruptcy arena. Bankruptcy specialists, who enable the system to operate smoothly, efficiently, and expeditiously, would be driven elsewhere, and the bankruptcy field would

be occupied by those who could not find other work and those who practice bankruptcy law only occasionally almost as a public service. Bankruptcy fees that are lower than fees in other areas of the legal profession may operate properly when the attorneys appearing in bankruptcy cases do so intermittently, because a low fee in a small segment of a practice can be absorbed by other work. Bankruptcy specialists, however, if required to accept fees in all their cases that are consistently lower than fees they could receive elsewhere, will not remain in the bankruptcy field.

H.R. Rep. No. 95-595, 95th Cong., 1st Sess. 330 (1977), reprinted in, 1978 U.S.C.C.A.N. 6286. See 124 Cong. Rec. H 11,091-92 (daily ed. Sept. 28, 1978); 124 Cong. Rec. S17,408 (daily ed. Oct. 6, 1978). See also In re Drexel Burnham Lambert Group, Inc., 133 B.R. 13, 18-20 (Bankr. S.D.N.Y. 1991).

71. It is well-settled that in order to be compensable under section 330(a), services provided by an attorney seeking payment from the debtor's estate must actually "benefit the estate." The Second Circuit has examined the scope of the section 330(a) benefit test. According to the Second Circuit in In re Ames, 76 F.3d 66 (2d Cir. 1996), if the services are reasonably likely to benefit the debtor's estate, they should be compensable. The test is an objective one, and is "based upon what services a reasonable lawyer or legal firm would have performed in the same circumstances." Id. at 72. Accord In re Keene Corp., 205 B.R. 690, 696 (Bankr. S.D.N.Y. 1997); In re Taxman Clothing Co., 49 F.3d 310, 315 (7th Cir. 1995). Fried Frank has, by this Application, demonstrated that the work it has

done during the Application Period was reasonable and benefited the estate, especially when one views the results achieved.

72. Significantly, when it enacted the Bankruptcy Code, Congress recognized, as quoted more fully above, the important goal to "enable the system to operate smoothly, efficiently, and expeditiously." That, Fried Frank respectfully submits, was the watchword of the Case, and Fried Frank respectfully submits that the conduct of this Case was a model of achieving that end.

73. In accordance with Local Bankruptcy Rule 2016-1,⁴ Fried Frank states that it believes that it seeks no compensation prohibited under the Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases (the "Guidelines"), and that it has complied with the Guidelines in every material respect. Fried Frank's Certification of Responsible Professional with respect to its compliance with the Guidelines is being filed with the Court concurrently with the filing of this Application.

COMPENSATION REQUESTED

74. At the time the Debtor's chapter 11 petition was filed, the Debtor's books reflected assets of approximately \$245 million and liabilities of approximately \$212 million. As a large corporation, the Debtor had numerous creditors. The

⁴ Local Bankruptcy Rule 2016-1 provides that "A person seeking an award of compensation or reimbursement of expenses shall comply with the requirements contained in any guidelines for fees and disbursements promulgated by the Court."

professional services rendered by Fried Frank -- which, it will once more be recalled, also included substantial non-bankruptcy services -- required an expenditure of a great deal of time and effort. During the Application Period, in excess of 3,360 recorded hours were expended by Fried Frank's partners, associates and paraprofessionals in the rendition of Fried Frank's professional services.

75. Fried Frank's extensive services were rendered, it believes, in a highly efficient manner, by attorneys with high levels of skill in the areas for which they rendered services. Brad Eric Scheler was the Fried Frank partner in charge of the Case, and supervised the joint efforts of Fried Frank's bankruptcy, litigation, corporate, benefits and tax lawyers. Robert E. Gerber was the partner responsible for all of the Debtor's litigation matters, and the day-to-day management of the Case. Lawrence A. First supervised the corporate matters that arose in this case. At all times, Messrs. Scheler, Gerber and First sought to avoid duplication of effort by themselves and all other Fried Frank professionals. A core group of associates was responsible for the daily efforts in the Case, under the supervision and scrutiny of Messrs. Scheler, Gerber and First. This experienced group of attorneys made every effort to assure that the Case progressed in as efficient a manner as possible.

76. Mr. Scheler has practiced debtors' and creditors' rights law since joining the New York Bar in 1978, particularly in connection with large reorganization cases, and he has played an integral role in the financial rehabilitation of numerous

distressed business organizations. Mr. Scheler, who is Chairman of Fried Frank's bankruptcy and restructuring practice, has extensive experience in chapter 11 cases and the protection and preservation of the rights of debtors and creditors. Mr. Scheler has also written and lectured on debtors' and creditors' rights and reorganization cases.

77. Since joining the New York Bar in 1971, Mr. Gerber has had extensive experience in the representation of debtors and creditors in reorganization cases, going back to 1973, where he was the principal courtroom representative of the debtor in In re U.S. Financial Inc., which at the time was one of the largest, if not the largest, Chapter XI case ever filed. Mr. Gerber's past experience also includes the chapter 11 case of In re Moseley Holding Corp., in the Southern District of New York and in which he supervised the day-to-day activities and handled or supervised all of the proceedings in court; the Debtor's 1990 chapter 11 case before this Court, In re Salant Corporation; In re McCrory Corp., et al., also in the Southern District of New York, in which he did so in the first several months of that case; and the chapter 11 cases of In re Bill's Dollar Stores Inc. and In re Rickel Home Centers, Inc., both in the District of Delaware, and in both of which he supervised the day-to-day activities and handled or supervised all of the proceedings in court. Mr. Gerber also represented the debtor in prepackaged chapter 11 cases in In re E-M New York Properties L.P., in the Southern District of New York, and In re The Pullman Co., in the District of Delaware. Mr. Gerber also litigated (or supervised litigation

in) matters in In re W.T. Grant & Co. (S.D.N.Y.), In re The Falling in Love Again Partnership (S.D.N.Y.), In re Revco D.S., Inc. (N.D. Ohio), In re One City Centre Assocs. (E.D. Cal.), In re Omni Int'l (S.D.N.Y.), In re Integrated Resources, Inc. (S.D.N.Y.), In re Edgewood Inc. and In re Jackson Manor, Inc. (E.D.N.Y.), In re Phar-Mor, Inc. (N.D. Ohio), and In re Lomas Financial Corp. (D. Del.), among others, and more than 20 cases in which members of The Society of Lloyd's (often referred to as "Lloyd's of London") were debtors, and Lloyd's was a creditor.

78. Mr. First was responsible for the corporate aspects of this engagement, and particularly for facilitating, conducting and directing, among many other things, the negotiations of the Revolving Credit Agreement, the negotiations and formulation of the Plan and the Disclosure Statement and all related issues, and the negotiation and documentation of each of the asset dispositions. Mr. First has been a partner of Fried Frank since 1994.

79. Fried Frank believes that its services resulted in substantial benefits to the Debtor's estate and its creditors, and were important to the Debtor's success in achieving its reorganization. If the Case were not under the Bankruptcy Code, Fried Frank would charge the Debtor, and expect to receive on a current basis, an amount at least equal to the amounts requested in this Application. Fried Frank submits that under all of the criteria normally examined in bankruptcy cases, and based upon the factors to be considered in accordance with section 330 of

the Bankruptcy Code, the results that were achieved more than justify charges in that amount.

80. For all the foregoing reasons, Fried Frank respectfully requests that it be allowed compensation in the amount of \$1,114,551 for services rendered during the Application Period -- representing the exact amount of its regular time charges, after voluntary reductions. An allowance of compensation in the amount sought in this Application would result in a blended aggregate average billing rate of approximately \$331 per hour (based on 3,360 recorded hours), which is equivalent to Fried Frank's hourly rates for ordinary matters. During the Application Period, Fried Frank's hourly billing rates for the attorneys who worked on this case on a daily basis ranged from \$245 to \$550 per hour; Mr. Scheler, who headed up the entire engagement (but addressed only the most important matters), was billed at \$650 per hour; and paraprofessional time was charged at the rate of \$70 to \$130 per hour.

DISBURSEMENTS

81. As noted above, Fried Frank incurred disbursements in the amount of \$99,783 (after voluntary reductions and reductions required under the Guidelines) for actual and necessary expenses incurred and recorded during the Application Period. They are itemized in Exhibit C.

82. Fried Frank's billing rates do not include components for duplicating, word processing and other

extraordinary charges that may be incurred by particular clients because of the exigencies of time and volume of demand. Fried Frank's billing method, whereby only the clients who use copying, word processing and other office services are charged for such services, maximizes fairness to all clients.

83. Fried Frank's billing rates do not include a component for word processing as part of overhead. Some time ago, Fried Frank analyzed its method of charging clients for word processing services, and, specifically whether it was appropriate to charge clients for word processing as part of overhead or based on the extent to which word processing was used. After such analysis, Fried Frank elected to keep its charges for word processing as a disbursement. Fried Frank concluded that it was fairer to its clients not to increase its billing rates to account for word processing services that might or might not be used by the client. In this way, only clients who used such services would be charged for services.

84. The time constraints frequently imposed by the circumstances of the Case required Fried Frank's attorneys and other employees to devote substantial amounts of time during the evenings and on weekends to the performance of legal services on behalf of the Debtor. In virtually every such instance, these extraordinary services were essential to meet deadlines imposed by the Court, the Bankruptcy Code, or, more commonly, the necessities of the Debtor's business, the administration of the estate, or critical litigation. As a consequence, Fried Frank

was required to incur overtime secretarial charges to discharge its professional responsibilities in the Case.

85. Fried Frank attempted to reduce overtime secretarial charges, and to limit them to instances where such were necessary, by encouraging its attorneys to use a secretarial "mini-center." If a secretary was not needed at the attorney's desk for the entire evening, the attorney was required to bring his or her work to a secretarial pool located on each floor. The client was then only charged for the word processing charges associated with the document, rather than charging the client for a secretary spending an entire evening at a desk whether or not the attorney actually used the secretary for the entire time.

86. Fried Frank's attorneys and other employees who worked late into the evenings were reimbursed for their reasonable meal costs and their transportation costs home. Such transportation costs are necessary expenses since it is a Fried Frank policy to ensure safe transportation for its attorneys after the hours when public transportation cannot be deemed safe. Fried Frank's regular practice is to charge its clients for these and other out-of-pocket disbursements incurred during the regular course of the rendition of services.

87. Since some of the Debtor's personnel (particularly its Augusta, Georgia accounting personnel), co-counsel (particularly in connection with the Rodriguez-Olvera Action) and key parties in interest in this Case, and/or their counsel, were located outside of New York, frequent long-distance telephone calls were required. On numerous occasions, overnight delivery

of documents and other materials was required as a result of emergency situations or other serious business needs, necessitating the use of express services. Fried Frank made every effort to minimize its disbursements in this Case. The expenses incurred in the rendition of professional services were necessary, reasonable and justified under the circumstances to serve the needs of the Debtor, its estate and its creditors.

88. Fried Frank incurred the following disbursements at the indicated rate, as the case may be:

<u>Incurred Disbursements</u>	<u>Total Charges</u>	<u>Rate</u>
Photocopying	\$33,369	\$.12 per page ⁵
Computer Research	\$11,994	N/A ⁶
Outbound Facsimile	\$11,458	N/A

No expenses for incoming facsimile transmissions were charged to the estate. The basis for each of the above rates is the actual or estimated cost to Fried Frank for providing those services.

CONCLUSION

89. For the reasons set forth above, Fried Frank respectfully submits that the professional services rendered and

⁵ All in-firm duplicating is charged at \$0.12 per page. In some instances, larger jobs are sent to an outside duplicating service, in which case the duplicating charges are billed to the estate in the same amount that Fried Frank is billed for such services by the outside duplicating service.

⁶ All computer research charges are billed to the estate in the same amount that Fried Frank is billed for such services.

disbursements incurred on behalf of the Debtor during the Application Period were of substantial benefit to the Debtor, its estate and its creditors. Fried Frank submits further that it provided such services in an economical and efficient manner. Accordingly, Fried Frank respectfully requests that the relief requested in this Application be granted in full.

WHEREFORE, Fried Frank requests (i) final allowance of compensation for professional services rendered as attorneys for the Debtor in the amount of \$1,114,551 -- representing the exact amount (after voluntary reductions) of its regular time charges for services provided during the Application Period, (ii) the reimbursement of actual and necessary disbursements (after voluntary reductions) in the amount of \$99,783 incurred on behalf of the Debtor during the Application Period, and (iii) such other and further relief as is just and proper.

Dated: New York, New York
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