

**Debtors' Application for Authority to Employ and Retain Lazard Frères & Co. LLC as Financial Advisor for the Debtors and Debtors in Possession Nunc Pro Tunc to the Petition Date and Waiving Certain Requirements of Local Rule 2016-2 (the "Lazard Retention Application").**

By the Lazard Retention Application, the Debtors seek entry of an order authorizing the employment of Lazard Frères & Co. LLC ("Lazard") as financial advisors and investment bankers to the Debtors.

The Debtors assert that Lazard will provide them with the following financial advisory and investment banking services: (i) analyzing the Debtors' operations and financial condition; (ii) analyzing the Debtors' debt capacity; (iii) assisting the Debtors in determining their post emergence capital structure; (iv) assisting in valuing the Debtors as a going concern; (v) assisting in developing and seeking approval of a restructuring plan; (vi) advising the Debtors regarding new securities offered under a restructuring plan; (vii) evaluating potential financings, including DIP and Exit Financings; (ix) assisting the Debtors in negotiating tactics; (x) assisting the Debtors in preparing necessary financial documents; and (xi) providing testimony, if necessary, before the Bankruptcy Court. The Debtors assert that Lazard's services will not duplicate the services provided by the Debtors' other professionals.

If retained, Lazard will receive the following compensation and may be eligible for compensation under more than one category:

- A monthly advisory fee of \$175,000 payable starting June 1, 2008;
- A completion fee of \$5.5 million (the "Completion Fee") to be paid on the consummation of a restructuring;
- A financing fee equal to 1% of the total gross proceeds to be paid upon the consummation of any financing, which fee shall be credited against any Completion Fee;
- Reimbursement for reasonable expenses not to exceed \$125,000; and
- Indemnification by the Debtors of Lazard, its affiliates, and directors, officers, and employees under certain circumstances.

Prior to the Petition Date, the Debtors paid Lazard \$606,667 for monthly advisory fees and reimbursed \$5,538.97 of Lazard's expenses. The Debtors state that they currently do not owe Lazard any compensation for services provided or expenses incurred prior to the Petition Date. Lazard will file interim and final fee applications in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Bankruptcy Court Rules, and any applicable order of the Bankruptcy Court.