

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

In re:

Prodigy Investment Holdings, Inc.,¹

Reorganized Debtor.

Chapter 11

Case No. 23-11120 (BLS)

Ref. Docket No. 1299

**FEE EXAMINER'S FINAL REPORT
REGARDING FINAL FEE APPLICATION OF KPMG LLP**

Rucki Fee Review, LLC ("Rucki Fee Review"), the fee examiner appointed in the above-captioned chapter 11 cases and acting in its capacity as such (the "Fee Examiner"), hereby submits its final report (this "Final Report") regarding the *Final Fee Application of KPMG LLP Providing Audit and Tax Restructuring Services to the Debtors and Requesting Final Allowance of Compensation for Services Rendered and Reimbursement of Expenses Incurred for the Period of August 7, 2023 through March 13, 2024* (the "Final Fee Application") [Docket No. 1299] filed by KPMG LLP (the "Firm").

BACKGROUND

1. In performance of its fee and expense review procedures and in preparation of its initial report provided to the Firm (the "Initial Report") and this Final Report designed to quantify and present factual data relevant to the requested fees, disbursements and expenses contained in the Final Fee Application consistent with its appointment order, Rucki Fee

¹ The Reorganized Debtor in this chapter 11 case, along with the last four digits of the Reorganized Debtor's federal tax identification number, is: Prodigy Investments Holdings, Inc. (9565). The location of the Reorganized Debtor's service address is: 3350 Virginia St., 2nd Floor, Miami, FL 33133.



Review reviewed the Final Fee Application and all fee applications filed by the Firm in these chapter 11 cases, including each of the billing and expense entries listed in the exhibits to such fee applications, for compliance with section 330 of the Bankruptcy Code, Bankruptcy Rule 2016 and Local Rule 2016-2, as well as the *U.S. Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330—Appendix A* and the Firm's retention order. Certain of the Firm's fee and expense detail, covering the inception of these chapter 11 cases through January 31, 2024, was previously reviewed by Rucki Fee Review and subject to its reports previously filed on the docket of these chapter 11 cases. This fee and expense detail was not re-reviewed for this Final Report, and the issues raised herein relate to the subsequent fee period except to the extent this Final Report expressly addresses matters relating to the entire final fee period on a cumulative basis.

2. Rucki Fee Review did not prepare informal memos related to the fee applications of the Firm, but instead included its issues and questions in its Initial Report provided to the Firm. Rucki Fee Review thereafter conferred with the Firm regarding the Initial Report, and following such conferral includes its recommendations in this Final Report.

DISCUSSION

3. For the compensation period of August 7, 2023 through March 13, 2024, as set forth in the Final Fee Application, the Firm seeks final bankruptcy court approval in the amount of \$2,819,683.50 as actual, reasonable and necessary fees and for expense reimbursement of \$6,090.26. This includes \$80,902.00 in fees and \$512.75 in expenses that were not

previously subject to a report by Rucki Fee Review, and accounts for the \$49,536.50 of fee reductions and \$42.00 of expense reductions previously agreed to with Rucki Fee Review.

4. Although it examines the matter on a case-by-case basis based on the facts and circumstances of each case and each applicant's role within a case (such as whether a firm is responsible for coordinating filing and scheduling of and hearing on multiple professionals' fee applications) regardless of whether any given threshold is exceeded such that fees below its presumptive threshold may be unreasonable and fees above its presumptive threshold may be reasonable, Rucki Fee Review generally does not consider time spent on fee issues to be presumptively unreasonable where less than 7% of total time has been charged for preparing fee applications and addressing fee issues. It applies these guidelines on a cumulative basis. Through the entirety of the final fee period the Firm has charged approximately \$67,320.50 in fees relating to the Firm's fee applications on a cumulative basis (after accounting for \$35,809.00 of previously agreed reductions on account of fee-related fees). This amounts to approximately 2.38% of the Firm's total cumulative fees through the entirety of the final fee period and includes approximately \$11,078.00 in fees not previously considered by the Bankruptcy Court on an interim basis.² Subject to the agreed reductions set forth herein (all of which relate to fee-related issues), Rucki Fee Review considers these fees to be reasonable, necessary and appropriate.
5. As memorialized through the Firm's retention order, the Firm and the debtors previously agreed to a maximum fixed fee for in-scope audit procedures of \$2.4 million to perform the services relating to integrated audit and quarterly review procedures, with the remaining

² This includes 3.4 hours and \$3,450.00 in non-fee application, fee-related work not included in the Firm's C5 task code.

\$1.7 million of this maximum fixed fee that was not paid prepetition to be billed based on hours incurred at 50% of standard rates.³ Similarly with respect to audit services, the Firm also is authorized to perform out-of-scope audit services not subject to this limitation, arising from complications caused by these chapter 11 cases and the prospective departure of debtor accounting personnel. Finally, the Firm is authorized to provide tax advisory services related to the debtors' chapter 11 cases and necessarily must perform and be compensated for retention application and fee application related work as appropriate.

6. On a cumulative post-petition basis the Firm charged \$1,555,430.00 for in-scope audit services in its fee applications (which becomes \$1,548,248.00 after subtracting reductions of in-scope audit services during the first and second quarterly fee periods totaling \$7,546.00 but adding recharacterized fees of \$364.00). No fees for in-scope audit services were charged during the February 1-March 13, 2024 interim period not previously considered by the Bankruptcy Court, nor were fees for out-of-scope audit services. Aside from the time charged for fee application preparation discussed above, the Firm's only work charged during the February 1-March 13, 2024 period were approximately 77.6 hours/\$73,274.00 in fees for tax advisory services relating to both sale and plan-related issues.
7. Subject to its prior agreed reductions and the agreed reductions set forth herein, Rucki Fee Review does not consider the staffing of the Firm to be objectionable during either the entirety of the final fee period or during the period of February 1-March 13, 2024 not

³ The Firm and the debtors also have agreed to the Debtors have agreed to an additional fixed fee of \$35,000, payable upon completion, for each instance that the Firm is required to provide consent to include or incorporate by reference its reports on the consolidated financial statements in a filing under the Securities Act of 1933 or an exempt offering.

previously subject to a report by Rucki Fee Review. As noted in prior reports, to fulfill its various responsibilities over the course of the final fee period and as is typical for audit and tax advisory services performed by peer firms, the Firm utilized, *inter alia*, a number of specialists, personnel with different skillsets, and personnel at varying levels of seniority, resulting in the usage of 74 persons across all functions during the first quarterly fee period, 60 persons across all functions during the second quarterly fee period, and 15 persons during the February 1-March 13, 2024 period when no audit functions were performed. With respect to in-scope audit services billed at a 50% discount to standard hourly rates, the blended hourly rate for such services during the entirety of the final fee period was \$362.30 (\$365.56 during the first quarterly fee period and \$357.05 during the second quarterly fee period), which is situated between an audit senior associate and audit manager, the Firm's second and third-lowest of six general personnel tiers. With respect to all other work, the blended hourly rate during the entirety of the final fee period was \$722.26, which is equivalent to a senior manager for out-of-scope audit services and a senior associate for advisory services. For the February 1-March 13, 2024 period not previously considered by the Bankruptcy Court this blended rate was slightly higher at \$780.91 owing to a heavier relative mix of advisory services. This compares to \$697.74 during the first quarterly fee period and \$759.26 during the second quarterly fee period for all work other than in-scope audit services.

8. Rucki Fee Review gives additional scrutiny to time entries of those billing fewer than 15 hours in a quarter to address if the utilization of such particular persons was necessary for the case, but recognizes that it is common for firms performing audit and advisory services to consult specialists and other senior personnel for a small amount of time each in a given

fee period. During the February 1-March 13, 2024 period not previously subject to a report by Rucki Fee Review, all but two of the 15 persons utilized by the Firm during this period billed under 15.0 hours. After review of these entries and subject to the agreed reductions set forth herein, Rucki Fee Review considers the utilization of each of these persons to be reasonable, necessary and appropriate. All other persons billing fewer than 15 hours in an interim fee period were addressed in Rucki Fee Review's prior reports filed on the docket in these chapter 11 cases.

9. Administrative tasks that are generally not compensable by a non-chapter 11 client or are secretarial in nature are not compensable in chapter 11. Rucki Fee Review identified certain work it considered administrative in nature or potentially administrative in nature, and the Firm agreed to a fee reduction of \$2,950.00 on account of these fees in compromise of Rucki Fee Review's request, all of which relate to fee-related issues.
10. In addition to those other matters referenced herein, Rucki Fee Review requested the Firm waive or reduce certain entries for miscellaneous reasons. After discussion with the Firm, the Firm has agreed to a reduction of \$312.00 on account of these entries in compromise of Rucki Fee Review's request, all of which relates to fee-related work.
11. The Final Fee Application seeks reimbursement of \$512.75 in expenses not previously subject to a report by Rucki Fee Review for the period from February 1-March 13, 2024, all of which relates to a required background check on a newly appointed member of the debtors' management. Rucki Fee Review considers this expense to be reasonable, necessary and appropriate as requested. The balance of the Firm's final expense

reimbursement request was previously addressed by Rucki Fee Review in its prior reports filed on the docket of these chapter 11 cases.

12. After accounting for the agreed fee reductions of \$3,262.00 noted above, Rucki Fee Review considers the balance of the fees and expenses sought in the Final Fee Application reasonable, necessary and appropriate under the circumstances,

CONCLUSION

13. Rucki Fee Review recommends the approval of the Final Fee Application in the amount of \$2,816,421.50 with respect to fees and the reimbursement of expenses in the amount of \$6,090.26, which amounts reflect the reductions agreed to with the Firm set forth herein.

Dated: May 30, 2024
Wilmington, Delaware

Respectfully submitted,

RUCKI FEE REVIEW, LLC
FEE EXAMINER

By: /s/ Justin H. Rucki
Justin H. Rucki
President of Rucki Fee Review, LLC