

BACKGROUND

1. On July 14, 1997 (the "Petition Date"), Alliance and fourteen of its direct and indirect subsidiaries filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtors thereafter continued in the possession of their respective properties and in the management and operation of their respective businesses as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. The Debtors' chapter 11 cases were consolidated for procedural purposes only and were jointly administered pursuant to an order of this Court.

2. No trustee or examiner was appointed herein. On July 23, 1997, the United States Trustee for the Southern District of New York (the "United States Trustee") appointed an official committee of unsecured creditors (the "Creditors' Committee") in these chapter 11 cases. An unofficial committee of Alliance's secured trade vendors (the "Trade Committee") also was formed and acted in these cases. The Chase Manhattan Bank ("Chase"), as Agent Bank for the Debtors' prepetition secured bank lenders (the "Prepetition Lenders") and as Agent Bank for the lenders under the Debtors' debtor in possession financing facility, also assumed an active role in these cases.

3. By Order dated July 30, 1998 (the "Confirmation Order"), this Court confirmed the Third

Amended Joint Plan of Reorganization (the "Plan"). The Plan was consummated on August 20, 1998.

4. As of the Petition Date, the Debtors were fully integrated independent music companies that created, marketed and distributed their proprietary content rights consisting of both new artist and catalog product in several genres. Upon emergence from chapter 11, the Debtors are be the largest domestic full service distributor of pre-recorded music and music related products, operating through traditional as well as emerging retail channels.

5. This Court has jurisdiction over this motion pursuant to 28 U.S.C. §§ 157 and 1334 and the "Standing Order of Referral of Cases to Bankruptcy Judges," dated July 10, 1984, issued by District Court Judge Robert T. Ward, Article XIII of the Plan and paragraph 20 of the Confirmation Order. Venue of these proceedings and the within motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory references for the relief sought herein are sections 330 and 331 of the Bankruptcy Code, and Rule 2016 of the Bankruptcy Rules.

The Action Against the Noteholders

6. By Order, dated July 14, 1997, this Court authorized the Debtors to retain Daniel J. Aaron, P.C. as

their special litigation counsel, pursuant to sections 327(e), 328(a) and 1107(b) of the Bankruptcy Code, for the limited purpose of representing the Debtors in the prosecution of injunctive actions against the holders of (the "Noteholders"), and the Indenture Trustee (the "Trustee") for, Alliance's 11 ¼% Senior Subordinated Notes due 2005 (the "Adversary Proceeding").

The Action Against the Bain Entities

7. By Order, entered April 1, 1998, this Court authorized the Debtors to modify the retention of Daniel J. Aaron, P.C. as their special litigation counsel, pursuant to sections 327(e), 328(a) and 1107(b) of the Bankruptcy Code, for the limited purpose of representing the Debtors in the prosecution of a 16(b) action against Bain Capital Fund IV L.P., Bain Capital Fund IV-B L.P., and BCIP Associates, BCIP Trust Associates, L.P. (collectively, the "Bain Entities"), in order to recover short swing trading profits made by the Bain Entities in the stock of Alliance (the "Bain Action").

Prior Fee Applications

8. By Orders dated December 24, 1997, April 6, 1998, and July 6, 1998, this Court approved \$46,192 of the fees and \$734.40 of the expenses requested by Daniel J. Aaron, P.C. pursuant to its first through third

applications for interim allowances of compensation for services rendered and for reimbursement for expenses incurred in these cases, representing: (a) \$35,850 of the fees and \$723.48 of the expenses requested for the first interim period; (b) \$2,562.50 of the fees and \$8.76 of the expenses requested for the second interim period; and (c) \$7,800.00 of the fees and \$2.16 of the expenses requested for the third interim period (collectively, with the first and second interim periods, the "Interim Periods").

THE FINAL APPLICATION

9. By this Final Application, Daniel J. Aaron, P.C., respectfully requests that this Court authorize: (a) a final allowance of compensation for professional services rendered during the Application Period for the Debtors in the amount of \$55,280.00, including compensation for the period from May 1, 1998 through August 19, 1998 (the "Uncompensated Period") in the amount of 9,087.50; and (b) the reimbursement of actual and necessary expenses Daniel J. Aaron, P.C. incurred in connection with the rendition of such professional services for the Debtors in the amount of \$770.07 (together, the "Final Allowance").

10. Of the Final Allowance, \$46,192.50 in fees and \$734.40 in expenses have already been awarded and paid as interim reimbursement of fees and expenses, leaving a

net amount of unpaid compensation in the sum of \$9,087.50 and a net amount of unpaid expenses in the sum of \$35.67 incurred during the Uncompensated Period. The unpaid compensation reflects a reduction for three and one-half hours of administrative time for which reimbursement is being sought at one-half the standard hourly rate.

11. Daniel J. Aaron, P.C., has received no payment or promise of payment for the services rendered in, or in anticipation of, these cases other than \$46,192.50 of fees pursuant to the Court's awards for the Interim Periods. No agreement or understanding exists between Daniel J. Aaron, P.C., and any other entity for the sharing of compensation to be received for services in or in connection with these cases. See Affidavit of Daniel J. Aaron, pursuant to section 504 of the Bankruptcy Code and Bankruptcy Rule 2016 is annexed hereto as Exhibit "A".

12. Daniel J. Aaron, P.C., maintains written records of the time expended in the rendition of professional services to the Debtors. The person rendering such services makes such time records contemporaneously with the rendition of services. Copies of the appropriate records for the Interim Periods have been annexed to each interim fee application for the relevant Interim Period, and such applications and records collectively are

incorporated herein by reference. Copies of the daily time records for the Uncompensated Period, broken down by the date on which the services were performed, and the amount of time spent in performing the services, is annexed hereto as Exhibit "B."

13. Daniel J. Aaron is the only employee of Daniel J. Aaron, P.C. During the Uncompensated Period, the aggregate time expended by Daniel J. Aaron was 37.5 hours. His billing rate was \$250 per hour and all of Daniel J. Aaron, P.C.'s fees are attributable to him. Of the 37.5 hours spent, 6.4 hours were spent on the Adversary Proceeding and 31.1 hours were spent on the Bain Action. Of the 6.4 hours spent on the Adversary Proceeding, 3.5 hours were spent on administrative duties for which Daniel J. Aaron, P.C., is seeking professional compensation at one-half of Daniel J. Aaron's billing rate.

14. Daniel J. Aaron, P.C., also maintains records of all actual and necessary out-of-pocket expenses incurred in connection with the rendition of professional services. These disbursements totaled \$35.67 for the Uncompensated Period. Of this amount, \$3.47 was incurred for long distance charges in connection with the Adversary Proceeding and the remaining \$32.20 was incurred for photocopying in connection with the Bain Action. All

expenses billed in connection with these cases have been billed as set forth in the Certified Statement of Daniel J. Aaron annexed hereto as Exhibit "C."

15. The professional services and related expenses for which Daniel J. Aaron, P.C., requests a final allowance of compensation and reimbursement of expenses were rendered and incurred in connection with two actions. The first is the Adversary Proceeding, captioned Alliance Entertainment Corp., et al. v. Alex. Brown & Sons, Inc. et al., No. 97/8752A, filed on behalf of Debtors in this Court against 45 defendant Noteholders and the Trustee. The Adversary Proceeding was commenced in order to preserve the assets of the Debtors' estates and to maintain the orderly and effective administration of the estates in the bankruptcy proceedings.

16. Specifically, Alliance had certain foreign non-filing subsidiaries (collectively, the "Castle Group") whose stock and assets are pledged to certain senior secured lenders from whom Alliance has borrowed approximately \$190 million (the "Senior Secured Lenders"). These Senior Secured Lenders agreed to forbear from pursuing their rights under their loan agreements, including the taking of any action with respect to the Castle Group, provided that the Noteholders and their

Trustee did not seek to collect on the Notes or seek to liquidate or place the Castle Group into a receivership. These foreign subsidiaries were extremely valuable assets of the estates that would have maintained their maximum value only if they could continue as going concerns.

17. By Order dated July 14, 1997, this Court temporarily restrained the Noteholders and their Trustee from acting to collect on the Notes or to seek the reorganization of the Castle Group. By Order dated July 25, 1997, this Court preliminarily enjoined the Noteholders and their Trustee from acting to collect on the Notes or to seek the reorganization of the Castle Group, until such time as the Senior Secured Creditors were paid in full, or ten days after the Senior Secured Creditors ceased to forbear on their rights with respect to the Castle Group (the "Preliminary Injunction").

18. By Order dated June 25, 1998, the Court approved the sale of the Castle Group, excepting a non-filing subsidiary named St. Claire. By Order dated July 23, 1998, the Preliminary Injunction was modified to expire on September 20, 1998, and so expired pursuant to its terms.

19. Daniel J. Aaron, P.C.'s services have been substantial, necessary, and beneficial to the Debtors and

their estates, creditors, and other parties in interest. The variety and complexity of the issues involved in the Adversary Proceeding and the need to act or respond on an expedited basis to those issues required substantial time on a daily basis, including night and weekend work during the period surrounding the issuance of the temporary and preliminary injunctions. Thereafter, the services provided by Daniel J. Aaron, P.C., lessened, and during the remainder of the Application Period substantially involved interacting with many of the 45 defendants, the negotiation of various stipulations, and the preparation for and attendance of status conferences.

20. The Bain Action, captioned Schaffer v. Bain Capital Fund IV L.P. et al., No. 96 Civ. 6664, filed in the United States District Court for the Southern District of New York, was brought by Barbara Schaffer derivatively on behalf of Alliance Entertainment Corp. on or about August 28, 1996. The Complaint alleges, inter alia, that the Bain Entities, acting as a group, held a greater than 10% beneficial ownership interest in Alliance common stock and that by matching a November 25, 1995 purchase of common stock with a sale of common stock on December 1, 1995 yields short-swing profits of \$2,953,196 which are

disgorgeable to Alliance. When the Petition was filed, this 16(b) claim became the property of Debtor's estate.

21. Daniel J. Aaron, P.C.'s services have been substantial, necessary, and beneficial to the Debtors and their estates, creditors, and other parties in interest. The variety and complexity of the issues involved in the Bain Action required substantial time as the Debtors engage in the process of taking over prosecution of the case from the original plaintiff, obtaining records relevant to the case without engaging in costly and disruptive turnover proceedings, and ensuring that the terms of the Plan provided for a transfer of the claim to the debtor's successor.

EVALUATING DANIEL J. AARON, P.C.'S SERVICES

22. Daniel J. Aaron, P.C., has satisfied the criteria for allowances of compensation. "[T]he 'lodestar' method of fee calculation developed by the Third Circuit, see Lindy Bros. Builders Inc. American Radiator & Standard Sanitary Corp., 487 F.2d 161, 167 (3d Cir. 1973), is the method to be used to determine a 'reasonable' attorney fee in all the federal courts, including the bankruptcy courts." In re Cena's Fine Furniture, Inc., 10 B.R. 575, 581 (E.D.N.Y. 1990). Accord In re Drexel Burnham Lambert Group, Inc., 133 B.R. 13, 22 (Bankr. S.D.N.Y. 1991) ("In

determining the reasonableness of the requested compensation under § 330, Bankruptcy Courts now utilize the lodestar method.").

23. "The lodestar amount is calculated by multiplying the number of hours reasonably expended by the hourly rate, with the 'strong presumption' that the lodestar product is reasonable under § 330." Drexel, 133 B.R. at 22 (citations omitted). Daniel J. Aaron, P.C.'s hourly rates and fees charged are consonant with the market rate for comparable services. As set forth in the Affidavit of Daniel J. Aaron, Esq., annexed hereto as Exhibit "A," the hourly rates and fees charged are the same as those generally charged to, and paid by, Daniel J. Aaron, P.C.'s other clients.

24. The number of hours expended by Daniel J. Aaron, P.C., were actual and necessary. "[T]he appropriate perspective for determining the necessity of the activity should be prospective: hours for an activity or project should be disallowed only where a Court convinced it is readily apparent that no reasonable attorney should have undertaken the activity or project or where the time devoted was excessive." Drexel, 133 B.R. at 23 (emphasis added).

25. Moreover, in passing upon the reasonableness of hours expended, courts should be mindful of the "practical judgments, often with severe time constraints, [professionals make] on matters of staffing, assignments, coverage of hearing and meetings, and a wide variety of similar matters." Id. These judgments are presumed to be made in good faith. Id.

DANIEL J. AARON, P.C.'S REQUEST FOR FINAL COMPENSATION

26. Concerning the level of compensation, section 330 of the Bankruptcy Code provides, in pertinent part, that the court may award to a professional person, including the debtor's attorney:

(1) reasonable compensation for actual, necessary services rendered by such . . . professional person, or attorney . . . based on the nature, the extent, and the value of such services, and the cost of comparable services other than in a case under this title . . .

11 U.S.C. § 330. The Congressional intent and policy expressed in section 330 of the Bankruptcy Code is to provide for adequate compensation to continue to attract qualified and competent practitioners to bankruptcy cases.

27. Daniel J. Aaron, P.C., submits that its request for final allowance of compensation is reasonable. The services rendered by Daniel J. Aaron, P.C., as

highlighted above, required substantial time and effort, much of which occurred under extreme pressure and during nights and weekends. The demand for Daniel J. Aaron, P.C.'s, services was particularly acute because of the Debtors limited in house legal staff.

28. The services performed by Daniel J. Aaron, P.C., during the Application Period were performed diligently and efficiently. In numerous instances Daniel J. Aaron, P.C., was able to successfully resolve or avoid disputes without the need to resort to the Court. When necessary, Daniel J. Aaron, P.C., actively represented the Debtors' interests before the Court and, through litigation, substantially furthered the Debtors' reorganization efforts. In all matters, Daniel J. Aaron, P.C., brought to bear legal expertise in bankruptcy litigation, and rendered advice with skill and great dispatch.

29. Daniel J. Aaron, P.C.'s, hourly rates and fees charged are consonant with the market rate for comparable services. As set forth in the Affidavit of Daniel J. Aaron, Esq., annexed hereto as Exhibit "A," the hourly rates and fees charged are the same as those generally charged to, and paid by, Daniel J. Aaron, P.C.'s other clients.

30. In sum, Daniel J. Aaron, P.C.'s, request for final compensation reflects the time, skill and effort expended toward the goals of maximizing the value of the Debtors' assets. The professional services rendered and related expenses incurred and expended have been necessary and beneficial to the Debtors and their estates and creditors.

AMOUNT REQUESTED AS FINAL ALLOWANCE

31. Daniel J. Aaron, P.C.'s attorney expended an aggregate of approximately 230 hours on the Debtors' cases during the Application Period, including approximately 37.5 hours during the Uncompensated Period. During the Application Period, Daniel J. Aaron, P.C.'s standard hourly billing rate for Daniel J. Aaron was \$250 per hour. Administrative duties were billed at one half of this rate.

32. At this time, Daniel J. Aaron, P.C., requests that the Court award Daniel J. Aaron, P.C., final compensation of \$55,280.00 for professional services rendered during the Application Period, inclusive of \$9,087.50 for the Uncompensated Period.

DISBURSEMENTS

33. Daniel J. Aaron, P.C., incurred actual and necessary out-of-pocket expenses during the Application Period, in connection with the rendition of the

professional services described above, in the amount of \$770.07. During the Uncompensated Period, Daniel J. Aaron, P.C. incurred \$3.47 in long distance charges and \$12.60 in duplicating expenses for a total of \$32.20. Such expenses were actual and necessary out-of pocket expenses and do not include any charge for profit. Accordingly, Daniel J. Aaron, P.C., hereby requests a final allowance of \$770.07 for reimbursement of expenses, which is inclusive of \$35.67 for the Uncompensated Period.

PROCEDURE

34. Daniel J. Aaron, P.C., will provide notice of this Application in the manner and to those parties identified in the Confirmation Order. Daniel J. Aaron, P.C., submits that no other and further notice is required.

CONCLUSION

WHEREFORE, Daniel J. Aaron, P.C., respectfully requests that this Court enter an order awarding Daniel J. Aaron, P.C.:

(a) final allowance of compensation from the Debtors for services rendered during the Application Period, in the amount of \$55,280.00, less the \$46,192.50 already awarded and paid, for a net amount of \$9,087.50;

(b) final allowance of reimbursement of actual, necessary expenses incurred in connection with the

rendition of such services, in the amount of \$770.07, less \$734.40 already awarded and paid, for a net amount of \$35.67; and

(c) such other and further relief as may be just.

Dated: New York, New York
October 5, 1998

DANIEL J. AARON, P.C.
Special Litigation Counsel
for the Debtors and
Debtors in Possession

By: /s/Daniel J. Aaron
Daniel J. Aaron (DJA-0718)
(The Principal of the Firm)

260 Madison Avenue, 20th Floor
New York, New York 10016
(212) 684-4466

(a) compensation for services rendered as special litigation counsel to the Debtors from July 14, 1997, through August 19, 1998, inclusive (the "Application Period"); and (b) the reimbursement of expenses incurred in connection therewith.

4. No agreement or understanding exists between Daniel J. Aaron, /P.C., and any person for a division of compensation or reimbursement received herein or in connection with the within cases.

5. By Order dated December 24, 1997, this Court approved \$35,850 in fees and \$723.48 of expenses requested by Daniel J. Aaron, P.C. pursuant to its first application for interim allowance of compensation for services rendered and for reimbursement for expenses incurred in these cases requested for the period from July 14, 1997 through October 31, 1997.

6. By Order dated April 6, 1998, this Court approved \$2,562.50 in fees and \$8.76 of expenses requested by Daniel J. Aaron, P.C. pursuant to its second application for interim allowance of compensation for services rendered and for reimbursement for expenses incurred in these cases requested for the period from November 1, 1997 through January 31, 1998.

7. By Order dated July 6, 1998, this Court approved \$7,800.00 in fees and \$2.16 of expenses requested by Daniel J. Aaron, P.C. pursuant to its third application for interim allowance of compensation for services rendered and for reimbursement for expenses incurred in these cases requested for the period from February 1, 1997 through April 30, 1998.

8. Daniel J. Aaron, P.C., has received no payment or promise of payment for the services rendered in these chapter 11 cases other than pursuant to the orders authorizing the retention of Daniel J. Aaron, P.C., herein and as disclosed herein and in Daniel J. Aaron, P.C.'s fee application.

/s/Daniel J. Aaron
Daniel J. Aaron

Sworn to before me this
5th of October, 1998

/s/ Karen L. Jenkins
Notary Public
No. 4705945
Qualified in New York County
Commission Expires 10/31/99

	<u>Hrs/Rate</u>	<u>Amount</u>
5/11/98 Telephone calls with P. Wexler (Bragar & Wexler) re request to review case files (0.2)	0.20 250.00/hr	50.00
5/12/98 Telephone calls with P. Wexler (Bragar & Wexler) re request to review case files (0.3); telephone calls with M. Feldman and J. Longmire (WFG) re same (0.4)	0.70 250.00/hr	175.00
5/13/98 Telephone call with P. Wexler (Bragar & Wexler) re review of documents (0.2); review of client documents re confidentiality stipulation (0.1); telephone call with J. Longmire re possible turnover action (0.1).	0.40 250.00/hr	100.00

	<u>Hrs/Rate</u>	<u>Amount</u>
5/14/98 Review and analysis of stay order and hearing transcript.	0.30 250.00/hr	75.00
Research re 542 and 2004 with respect to Bragar and Wexler.	2.30 250.00/hr	575.00
5/15/98 Research re 542 and 2004 with respect to Bragar and Wexler.	2.80 250.00/hr	700.00
5/18/98 Telephone call with D. Hawthorn re Bragar and Wexler (0.1); telephone call with J. Longmire re STN Enterprises case (0.1).	0.20 250.00/hr	50.00
5/19/98 Research regarding potential turnover proceeding or 2004 discovery and attorneys lien; review and analysis of cases cited in stay motion.	2.30 250.00/hr	575.00
5/20/98 Research re 541 and 2004 motions.	0.90 250.00/hr	225.00
Preparation for status conference (0.4); review of Marine answer (0.3).	0.60 250.00/hr	150.00
Telephone calls re status conference with Court; WF&G Managing Attorney's Office, E. Foley (Schwab), L. Rosenbaum (Herzog), I. Piccard (State Street), A. Alves (Marine), M. Gates (AG Edwards), D. Frauman (Chase), J. Peck (Unsecured Cred), M. Bloom (Committee); R. Toder (Chase).	0.30 250.00/hr	75.00

	<u>Hrs/Rate</u>	<u>Amount</u>
5/20/98 Research re retaining liens and charging liens and section 542.	2.10 250.00/hr	525.00
Research re retaining liens and charging liens, section 542, and injunction actions (1.0); met with D. Hawthorn to discuss case status (0.1).	1.10 250.00/hr	275.00
Attend auction of Castle subsidiaries.	0.70 250.00/hr	175.00
5/21/98 Telephone call with J. Longmire (WFG) re outcome of auction hearing.	0.20 250.00/hr	50.00
Telephone call with Y. Reimer (Kirkland) re obtaining documents produced by Bain entities.	0.10 250.00/hr	25.00
5/26/98 Telephone call with Y. Reimer (Kirkland) re obtaining documents produced by Bain entities.	0.10 250.00/hr	25.00
5/27/98 Telephone call with D. Cantor (former Alliance counsel) re document production in 16b case.	0.20 250.00/hr	50.00
5/28/98 Telephone call with Y. Reimer (Kirkland) re obtaining documents produced by Bain entities.	0.10 250.00/hr	25.00
5/29/98 Telephone call with Y. Reimer (Kirkland) re obtaining documents produced by Bain entities.	0.10 250.00/hr	25.00
For professional services rendered	<hr/> 15.70	<hr/> \$3,925.00

Additional charges:

	<u>Amount</u>
5/31/98 Long Distance	3.47
Total costs	<u>\$3.47</u>

	<u>Hrs/Rate</u>	<u>Amount</u>
6/9/98 Telephone call with Y. Reimer (Kirkland) re document production.	0.20 250.00/hr	50.00
Telephone call with Y. Reimer re confidentiality stipulation.	0.10 250.00/hr	25.00
6/10/98 Telephone call with Kathleen McCarthy re confidentiality stipulation.	0.10 250.00/hr	25.00
6/15/98 Telephone call with Y. Reimer re production of documents (0.1); and draft letter to Y. Reimer (Kirkland) re production of documents (0.3).	0.40 250.00/hr	100.00

	<u>Hrs/Rate</u>	<u>Amount</u>
6/16/98 Review and execute confidentiality stipulation with Bain Entities.	0.30 250.00/hr	75.00
Review U.S. Trustee's objection to disclosure statement.	0.30 250.00/hr	75.00
6/18/98 Telephone calls with A. Alves (Marine) re status conference.	0.10 250.00/hr	25.00
6/19/98 Telephone call with McCarthy (Kirkland) re production of documents.	0.10 250.00/hr	25.00
6/25/98 Telephone call with L. Rosenberg re status of case.	0.10 250.00/hr	25.00
6/26/98 Telephone call to K. McCarthy (Kirkland) re production of documents.	0.20 250.00/hr	50.00
6/30/98 Receive and review documents produced by Bain Entities.	2.50 250.00/hr	625.00
For professional services rendered	<hr/> 4.40	<hr/> \$1,100.00

	<u>Hrs/Rate</u>	<u>Amount</u>
7/6/98 Research regarding 13D and 16b groups.	0.80 250.00/hr	200.00
7/7/98 Research re 13D groups and 16b derivatives rule.	1.00 250.00/hr	250.00
7/9/98 Review and analyze Plan with respect to 16b claim and injunction.	1.00 250.00/hr	250.00
Telephone calls to M. Feldman and Longmire (WFG) re Plan.	0.20 250.00/hr	50.00
7/20/98 Telephone call with J. Longmire re Plan and 16(b) action (0.4); research re motion for substitution of parties (2.0).	2.40 250.00/hr	600.00

	<u>Hrs/Rate</u>	<u>Amount</u>
8/10/98 Research on various federal rules for substitution motion.	4.50 250.00/hr	1,125.00
8/11/98 Research on various federal rules for substitution motion.	1.50 250.00/hr	375.00
8/12/98 Preparation of affidavit of service of Court Order and electronic filing with court.	0.50 250.00/hr	125.00
8/19/98 Research on federal rules and bankruptcy law for substitution motion.	1.70 250.00/hr	425.00
For professional services rendered	<u>8.20</u>	<u>\$2,050.00</u>

Additional charges:

	<u>Amount</u>
8/10/98 Copying cost	19.60
Total costs	<u>\$19.60</u>

expenses, dated October 5, 1998 (the "Application").
The Application is in compliance with the Confirmation Order and the administrative order regarding guidelines for fees and disbursements for professionals in bankruptcy cases, dated June 20, 1991 (the "Administrative Order").

2. Pursuant to the Administrative Order:

(a) I have read the Application; and (b) to the best of my knowledge, information and belief formed after reasonable inquiry (except as stated herein or in the Application): (i) the Application complies with the mandatory guidelines (the "Guidelines") set forth in the Administrative Order; (ii) the fees and disbursements sought fall within the Guidelines; and (iii) the fees and disbursements sought are billed at or below the rates and in accordance with practices customarily employed by Applicant and generally accepted by its clients.

3. The Third Application will be filed in accordance with the Administrative Order.

4. Applicant has provided monthly statements of fees and expenses to: (a) the Debtors; (b) attorneys for the Committee of Unsecured Creditors; (c) the Office of the U.S. Trustee; (d) attorneys for the Chase Manhattan Bank,

as Agent for the Debtor in Possession Lenders; (e) attorneys for the Chase Manhattan Bank, as Agent for the Prepetition Lenders; and (f) attorneys for Unofficial Committee of Secured Trade Vendors. The statements contained a list of professionals and paraprofessionals providing services, their respective billing rates, the aggregate hours spent by each professional and paraprofessional, a general description of services rendered, and a reasonably detailed breakdown of the disbursements incurred. To the extent possible, all of Applicant's monthly statements were sent by the twentieth day of the subsequent month in accordance with the Guidelines.

5. Attached to the Application as Exhibit B is a copy of the daily time records maintained by the attorneys and paraprofessionals of Applicant in the ordinary course of business during the Uncompensated Period. The time records set forth in reasonable detail the services rendered by Applicant in the adversary proceeding and the district court litigation for which it was retained.

6. Except as set forth herein or in the Application, the reimbursement of expenses sought in the Application: (a) does not include a charge for profit or amortization of the cost of any investment, equipment or

capital outlay; and (b) when the reimbursement sought is for a service which Applicant purchased or contracted for or from a third party, includes only the amount billed to Applicant by the third party vendor and paid by Applicant to such vendor.

7. Applicant has sought to keep its fees and expenses at a reasonable level, and to utilize professional services and incur expenses only as necessary to competently represent the Debtors.

Dated: New York, New York
October 5, 1998

/s/Daniel J. Aaron
Daniel J. Aaron

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing document was delivered to:

Willkie Farr & Gallagher
787 Seventh Avenue
New York, New York 10019
Attn: Matthew Feldman, Esq.

AEC One Stop Group, Inc
Alliance Entertainment Corp.
4250 Coral Ridge Drive
Coral Springs, Florida 33065
Attn: Mr. David Hawthorne

Schulte, Roth & Zabel
Attorneys for the Committee
of Unsecured Creditors
900 Third Avenue
New York, New York 10022
Attn: James Peck, Esq.

Office of the U.S. Trustee
80 Broad Street, 3rd Floor
New York, New York 10004
Attn: Brian Masumoto, Esq.

Cadwalader, Wickersham & Taft
Attorneys for the Chase Manhattan Bank,
as Agent for the Prepetition Lenders
100 Maiden Lane
New York, New York 10038
Attn: David C.L. Frauman, Esq.

Morgan, Lewis & Bockius LLP
Attorneys for Unofficial Committee
of Secured Trade Vendors
2000 One Logan Square
Philadelphia, PA 19103-G993
Attn: Michael A. Bloom, Esq.

this 5th day of October, 1998, by placing same in a sealed envelope, and depositing the envelope, first class postage prepaid, in a depository, under the exclusive control of the Postal Service of the United States.

 /s/Daniel J. Aaron
Daniel J. Aaron, Esq.