

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

COVER SHEET: APPLICATION FOR PROFESSIONAL COMPENSATION

In re:)	
)	Chapter 11
Alliance Entertainment Corp.,)	
Passport Music Distribution, Inc.,)	Case Numbers. 97 B 44673 to
Alliance Ventures, Inc.,)	97 B 44687 (BRL)
Castle Communications (U.S.), Inc.,)	
Concord Records, Inc.,)	Judge Burton R. Lifland
Passport Music Worldwide, Inc.,)	
Independent National Distributors, Inc.,)	
One Way Records, Inc.,)	
AEC One Stop Group, Inc.,)	
A.E. Land Corp.,)	
Matrix Software Corp.,)	
AEC Americas, Inc.,)	Jointly Administered
FL Acquisitions Corp.,)	
Execusoft, Inc.,)	
AEC Acquisition Corp.,)	
Debtors)	

Type of Application: Interim Final

Name of Applicant: PricewaterhouseCoopers L.L.P. F/K/A
Coopers & Lybrand L.L.P.

Authorized to Provide Professional Services to: The Debtors
Date of Order Authorizing Employment: December 30, 1997

Application Date: October 2, 1998
Application Period: May 1, 1998 through August 19, 1998

Compensation Sought:	<u>Hours</u>	<u>Amount</u>
Fees:		
Professional	408.0	\$84,827.50
Paraprofessional	<u>21.0</u>	<u>1,575.00</u>
Total Fees	<u>429.0</u>	\$86,402.50
Out-of-Pocket Expenses		<u>1,070.63</u>
Total Fees and Out-of-Pocket Expenses		<u>\$87,473.13</u>

Name of Professional	Position with C&L	Years of Experience	Hours Billed	Hourly Rate	Total
Richard Deas	Partner - Business Assurance	20	6.0	415	\$2,490.00
Jonathan Davies	Partner - Tax	23	21.5	400	\$8,600.00
David Figueroa	Partner - Business Assurance	29	1.5	415	\$622.50
Dan Carey	Senior Manager - Tax	8	0.5	300	\$150.00
Sarah Ryan	Manager - Tax	6	63.0	270	\$17,010.00
Jill Wood	Senior Associate - Tax	4	9.0	215	\$1,935.00
Jared Fletcher	Senior Associate - Business Assurance	2	13.5	215	\$2,902.50
Angela Halac	Senior Associate - Business Assurance	5	12.0	215	\$2,580.00
Amanda Funderburke	Senior Associate - Tax	3	58.0	215	\$12,470.00
Justin Jones	Associate - Tax	1	86.5	165	\$14,272.50
April Butler	Associate - Tax	1	8.0	165	\$1,320.00
Scott McKinley	Associate - Tax	1	28.5	165	\$4,702.50
S. Spiegelman	Associate - Tax	1	0.5	165	\$82.50
Debra DuBois	Associate - Tax	1	7.0	165	\$1,155.00
Sol Sjoveian	Associate - Tax	1	24.5	165	\$4,042.50
David Zinn	Associate - Business Assurance	1	57.5	165	\$9,487.50
Andy Malott	Intern - Tax	N/A	3.5	110	\$385.00
Jason Alloy	Intern - Tax	N/A	7.0	110	\$770.00
Jane Silva	Paraprofessional - Business Assurance	N/A	1.0	75	\$75.00
Diane Benke	Paraprofessional - Tax	N/A	6.5	75	\$487.50
Cindy Mommer	Paraprofessional - Tax	N/A	8.0	75	\$600.00
Gina Beno	Paraprofessional - Tax	N/A	5.5	75	\$412.50
					<u>429.0</u>
					<u>\$86,402.50</u>
Less: Voluntary Reduction (see paragraph 8 of the Fee Application)					<u>\$(9,230.00)</u>
					<u>\$77,172.50</u>
Average Blended Hourly Rate					<u>\$179.89</u>

Is this a first application? Yes No

Prior Fee Application Information (Compete if answer to above question is no)

Date Filed	Period Covered	Total Fees and Expenses	
		Requested	Allowed
March 2, 1998	August 1, 1997 through January 31, 1998	\$174,109.00	\$174,109.00
June 1, 1998	February 1, 1998 through April 30, 1998	\$249,297.50	\$235,297.50
	Totals	<u>\$423,406.50</u>	<u>\$409,406.50</u>
	Aggregate Fees and Expenses Paid to Date:		<u>\$327,525.50</u>

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AEC Acquisition Corp.,)	
)	
Debtors)	
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**FINAL ALLOWANCE
OF COMPENSATION TO PRICEWATERHOUSECOOPERS L.L.P.
AS TAX ACCOUNTANTS AND AUDITORS
TO THE DEBTORS
FOR THE PERIOD MAY 1, 1998 THROUGH AUGUST 19, 1998**

TO THE HONORABLE BURTON R. LIFLAND,
UNITED STATES BANKRUPTCY JUDGE:

PricewaterhouseCoopers L.L.P. F/K/A Coopers & Lybrand L.L.P. ("PwC") applies to this Court, pursuant to 11 U.S.C. § 330 and § 331 of the United States Bankruptcy Code ("Bankruptcy Code"), Bankruptcy Rule 2016, and Local Rule 34 for final allowance of compensation for professional services rendered as tax accountants and auditors to the Debtors, in the amount of \$478,543 and final expenses in the amount of \$9106.63 (see paragraph 5 for

details of requested amount). In support of this application, PwC respectfully represents as follows:

Background

1. On July 14, 1997, (the "Petition Date"), Alliance Entertainment Corp., Passport Music Distribution, Inc., Alliance Ventures, Inc., Castle Communications (U.S.), Inc., Concord Records, Inc., Passport Music Worldwide, Inc., Independent National Distributors, Inc., One Way Records, Inc., AEC One Stop Group, Inc., A.E. Land Corp., Matrix Software Corp., AEC Americas, Inc., FL Acquisition Corp., Execusoft, Inc., and AEC Acquisition Corp., (also referred to herein as "the Company" or the "Debtors"), filed voluntary petitions for reorganization under chapter 11 of Title 11 of the United States Code, 11 U.S.C. § 101 *et. seq.* (the "Bankruptcy Code"). Since the Petition Date, the Debtors have continued to operate their businesses as debtors-in-possession pursuant to Bankruptcy Code §§ 1107(a) and 1108.
2. The Debtors are a fully integrated independent music company which create, market, and distribute their proprietary content rights consisting of both new artist and catalog product in several genres. The Debtors are also the largest domestic full service distributor of pre-recorded music and music related products through traditional as well as emerging retail channels.
The Debtors' proprietary products group consists of two primary labels: Concord Jazz and Castle Communications. Each of these labels specializes in particular genres of music and releases records under a number of label imprints. The Debtors' distribution operation is conducted through the One Stop Group specializing in the wholesale distribution of substantially all available pre-recorded music product as well as music manufactured by independent labels.
3. Due to the complex nature of the Debtors, the Debtors required the services of experienced Tax Accountants and Auditors to assist them in meeting their ongoing tax compliance and financial reporting requirements. Because of PwC's expertise and experience in accounting and auditing, including performing audits of financial statements and other business assurance services, providing assistance in complying with regulatory reporting requirements

such as those imposed by the Securities and Exchange Commission and providing tax compliance and related advisory services, the Debtors applied to the Bankruptcy Court to authorize PwC's retention as Tax Accountants and Auditors to the Debtors. The Bankruptcy Court entered an order (the "Retention Order") on December 30, 1997, authorizing the retention of Coopers & Lybrand L.L.P. now known as PricewaterhouseCoopers nunc pro tunc as of August 1, 1997, in order to:

- (a) Audit the Debtors' annual financial statements and, if necessary, perform other accounting and auditing services as requested by the Debtors;
- (b) assist and advise the Debtors in respect of general tax matters, including preparation of corporate income tax returns, review and evaluate proposed income tax assessments, and provide similar tax services;
- (c) consult with the Debtors' management in connection with operational, financial and other business matters relating to accounting, auditing and general tax matters as the same pertains to ongoing activities;
- (d) advise and assist the Debtors' management regarding various tax issues, including calculating net operating loss carryforwards and the tax consequences of any proposed plans of reorganization; preparing any Internal Revenue Service ruling requests regarding future tax consequences of alternative reorganization structures; and providing other reorganization-related tax assistance in connection with the restructuring process;
- (e) consult with and advise the Debtors regarding financial reporting controls and procedures;
- (f) audit the Debtors' defined contribution plans; and
- (g) consistent with the above, provide such other accounting services as may be requested by the Debtors.

A copy of the Order authorizing the Debtors to employ PwC as Tax Accountants and Auditors for the Debtors is attached as Exhibit A to this Final Fee Application. Copies of the Application for Order ("the Application") authorizing the Debtors to employ PwC dated October 8, 1997, the affidavit of Richard Deas dated October 6, 1997 annexed to the Application as Exhibit A and supplemental affidavits dated December 3, 1997 and December 24, 1997

submitted in support of the Application are attached as Exhibit B to this Second Interim Fee Application. The Retention Order authorized the Debtors to pay PwC in accordance with Orders of the Court.

Certification

4. The affiant, a partner in the firm of PwC, as the professional designated by the Applicant with the responsibility for compliance with the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases, (the "Guidelines") certifies that, except as otherwise noted elsewhere herein.

- 4.1 a) He has read this application,
- b) To the best of his knowledge, information and belief, formed after reasonable inquiry:
- i. This application complies with the mandatory provisions of the Guidelines,
 - ii. The fees and out-of-pocket expenses are billed in accordance with the billing practices described below, and except as otherwise indicated therein fall within the Guidelines, and
 - iii. Except to the extent prohibited by the Guidelines, the fees and out-of-pocket expenses sought herein have been billed at rates and in accordance with practices customarily employed by the Applicant and accepted by the Applicant's clients.

4.2 PwC has submitted a copy of this Final Fee Application for allowance of interim compensation to the Debtors for review and approval. As of the date of the filing of this application, the Debtors have not indicated that it has reviewed and approved this application. Prior to the date of the hearing, the Applicant will file an affidavit stating that this application has been reviewed and approved by the Debtor or explaining the reasons why such approval has not been forthcoming.

4.3 The Debtors, the Trustee and the Chair of each Official Committee has each been provided in conjunction with the Application, a statement of fees for services and out-of-pocket expenses accrued during each month and containing a list of professionals, paraprofessionals, and support personnel providing service; their respective billing rates; the aggregate hours expended by each such person and an explanation of PwC's billing practices.

4.4 The Debtors, the Trustee and the Chair of each Official Committee has each been provided a copy of this Final Fee Application for allowance of compensation at least twenty days prior to the date scheduled for a hearing on fee applications. However; a copy of this final application for interim allowance of fees and reimbursement of out-of-pocket expenses has not been provided to the Debtors, the Trustee and the Chair of each Official Committee at least ten days prior to the date for filing fee applications set by the Bankruptcy Court.

4.5 With respect to expenses and reimbursable services incurred for which reimbursement is sought, PwC:

- a) Does not make a profit;
- b) Does not include in the amount for which reimbursement is sought the amortization of the cost of any investment, equipment or capital outlay; and
- c) Seeks reimbursement of services purchased from or contracted for with a third-party vendor only in the amount billed to the Applicant by and paid or to be paid by the Applicant to the vendor.

The affiant presently intends to attend the fee hearing; however, if he is unable to do so, he will arrange for a member of the project team, as appropriate, authorized to speak for the firm, to be present.

Compensation Requested

5. By this Application, and pursuant to section 330 of the Bankruptcy Code and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), PwC requests that this Court authorize a final allowance of: (a) compensation for professional services PwC rendered for the Debtors during the Applications Period in the amount of \$478,543.00, including the period from May 1, 1998 through August 19, 1998 (the "Uncompensated Period"), in the amount of \$77,172.50; and (b) the reimbursement of actual and necessary expenses PwC incurred in connection with the rendition of such professional services in the amount of \$9,106.63 (together, the "Final Allowance"). Of the Final Allowance, the sum of \$ 321,096.40 already has been awarded and paid as interim compensation and \$ 6,428.80 already awarded and paid as interim reimbursement of expenses, leaving a net amount of unpaid compensation in the sum of \$ 160,124.43 .

Current Hours Expended	
Professionals	408.0
Paraprofessionals	21.0
Total	<u>429.0</u>
Fees Incurred	
Professionals \$	84,827.50
Paraprofessionals	1,575.00
Total	<u>86,402.50</u>
Out-of-Pocket Expenses	1,070.63
Voluntary Reduction	(9,230.00)
Total \$	<u><u>78,243.13</u></u>

