

ROSS, ANGLIM, ANGELINI, VALLA & KRAWITZ  
775 MOUNTAIN BOULEVARD  
WATCHUNG, NEW JERSEY 07060  
(908) 561-1600

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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In re:

ALLIANCE ENTERTAINMENT CORP.

Debtors

Chapter 11

Case No. 97-B-44673 (BRL)

(Jointly Administered)

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INTERIM APPLICATION OF ROSS, ANGLIM, ANGELINI, VALLA & KRAWITZ  
FOR AWARD OF COMPENSATION AND REIMBURSEMENT OF  
EXPENSES AS ACCOUNTANTS TO THE DEBTOR  
PURSUANT TO 11 U.S.C. SECTIONS 330 AND 331 FOR THE  
PERIOD FROM SEPTEMBER 3, 1997 THROUGH SEPTEMBER 18, 1997.

Interim Fees Previously Sought:	\$	0
Interim Fees Previously Awarded:		0
Interim Fees Sought:		24,177.00
Interim Fees Paid under Court Order		<u>15,000.00</u>
Additional Interim Fees Sought		9,177.00
Interim Expenses Previously Sought:		0
Interim Expenses Previously Awarded:		0
Interim Expenses Sought:		2,957.50
Approximate Time Spent in Preparing Fee Application		\$ 800.00

No hours of time spent in preparing this fee application is included in the total hours described in the application.

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

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IN THE MATTER OF  
ALLIANCE ENTERTAINMENT CORP. ET AL  
DEBTORS

AFFIDAVIT OF INTERIM  
ALLOWANCE FOR ACCOUNTANTS  
CASE NO. 97-B-44673 (BRL)

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STATE OF NEW JERSEY  
COUNTY OF SOMERSET

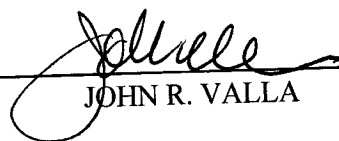
JOHN R. VALLA, being duly sworn according to law upon his oath, deposes and says:

1. I am a Certified Public Accountant and a member of the firm of Ross, Anglim, Angelini, Valla & Krawitz L.L.P., Certified Public Accountants, with an office at 775 Mountain Boulevard, Watchung, New Jersey 07060.
2. Our firm is familiar with auditing procedures and accounting practices and thoroughly familiar with insolvency matters;
3. Neither I nor any member of the firm is related to or has any business association with any attorney, creditor, bankrupt or debtor or any other party to these proceedings;
4. In accordance with Court Order, Ross, Anglim, Angelini, Valla & Krawitz L.L.P., Certified Public Accountants, was retained to perform the functions of Accountants for the Debtors;
5. The recitation of each and every item of professional services which petitioner performed is not set forth in this Application. The Court is referred to Exhibit "A" for a review and every item of service rendered. However, the following is a summary of the major services rendered to the debtors in this Chapter 11 case during the period:
  - A. Finalization in connection with preparation, review and processing of the various state

income tax returns for the year ended December 31, 1996.

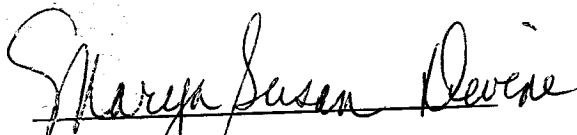
- B. Amending the 1993 tax return resulting from SRLY (Separate Return Limitation Year) for carryback.
- C. Amending the 1995 tax return resulting from subsidiaries acquired during 1996.
- D. Meetings, discussions and tax planning regarding various tax issues, including accounting method changes for write-offs and revenue recognition.

In order for your petitioner to render the services outlined on the attached schedule, it was necessary to expend approximately 121.75 working hours.

  
\_\_\_\_\_  
JOHN R. VALLA

Sworn to and subscribed before me this

28th day of May, 1998.

  
\_\_\_\_\_  
NOTARY PUBLIC

MARYA SUSAN DEVINE  
NOTARY PUBLIC OF NEW JERSEY  
MY COMMISSION EXPIRES SEPTEMBER 11, 2002

ROSS, ANGLIM, ANGELINI, VALLA & KRAWITZ  
775 MOUNTAIN BOULEVARD  
WATCHUNG, NEW JERSEY 07060

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In re: ) UNITED STATES BANKRUPTCY COURT  
ALLIANCE ENTERTAINMENT CORP. ) FOR THE SOUTHERN DISTRICT OF  
et, Al ) NEW YORK  
Debtors ) CASE NO. 97 B 44673 (BRL)  
(Jointly Administered)

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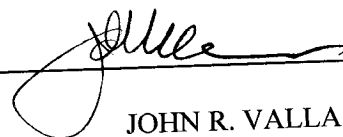
CHAPTER 11

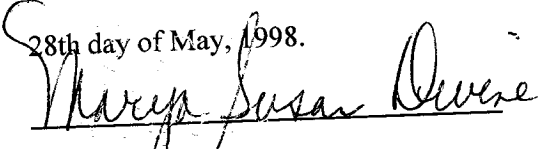
AFFIDAVIT UNDER FED. R. R. BANKR. P. 2016 (a)  
AND SECTION 504 OF THE BANKRUPTCY CODE

STATE OF NEW JERSEY )  
 )SS:  
COUNTY OF SOMERSET )

JOHN R. VALLA, being duly sworn, deposes and says:

1. I am a member of the firm of Ross, Anglim, Angelini, Valla & Krawitz, Certified Public Accountants for Alliance Entertainment Corp. et Al. (the "Debtors").
2. I have read the within Interim Application for allowance of compensation and reimbursement of expenses and know the contents thereof. The same is true to the best of my knowledge, except as to the matters therein alleged to be upon information and belief and as to those matters, I believe them to be true.
3. In accordance with Fed. R. Bankr. P. 2016 (a) and Section 504 of the Bankruptcy Code, I affirm that no agreement or understanding exists between Ross, Anglim, Angelini, Valla & Krawitz and any other person for the sharing of compensation to be received in connection with the within case.

  
\_\_\_\_\_  
JOHN R. VALLA

Sworn to and subscribed before me this  
28th day of May, 1998.  
  
\_\_\_\_\_  
NOTARY PUBLIC

MARYA SUSAN DEVINE  
NOTARY PUBLIC OF NEW JERSEY  
MY COMMISSION EXPIRES SEPTEMBER 11, 2002

ROSS, ANGLIM, ANGELINI, VALLA & KRAWITZ  
775 MOUNTAIN BOULEVARD  
WATCHUNG, NEW JERSEY 07060  
ACCOUNTANTS FOR DEBTORS

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK  
CASE NO. 97-B-44673 (BRL)

\_\_\_\_\_  
IN THE MATTER OF:

CHAPTER 11

ALLIANCE ENTERTAINMENT CORP. :  
ET AL :  
DEBTORS. :

CERTIFICATION PURSUANT TO  
GUIDELINES FOR FEES AND  
DISBURSEMENTS FOR PROFESSIONALS  
IN SOUTHERN DISTRICT OF NEW YORK  
BANKRUPTCY CASES IN SUPPORT OF  
FEE APPLICATION OF ROSS, ANGLIM,  
ANGELINI, VALLA & KRAWITZ

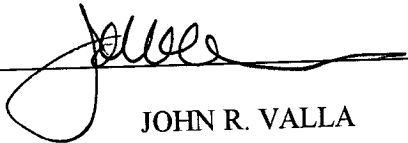
JOHN R. VALLA, certifies as follows:

1. I am a member of the firm of Ross, Anglim, Angelini, Valla & Krawitz, Certified Public Accountants L.L.P., and am a Certified Public Accountant in the State of New Jersey.
2. I make this Certification in support of the Application of Ross, Anglim, Angelini, Valla & Krawitz, L.L.P. for a interim award of compensation for services rendered and reimbursement of expenses pursuant to the latest Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases (the "Fee Guidelines") which were promulgated on or about July 1, 1991. I am the professional designated by Ross, Anglim, Angelini, Valla & Krawitz with the responsibility for compliance with the Fee and Guidelines. I am also the partner at Ross, Anglim, Angelini, Valla & Krawitz, L.L.P. most familiar with this case.
3. I have read the Application and, to the best of my knowledge, information and belief formed after reasonable inquiry, the Application complies with the requirements set forth in the Fee Guidelines, except where otherwise specifically indicated. To the best of our knowledge, information and belief formed after reasonable inquiry, the fees and disbursements sought fall within the Fee Guidelines, except as

specifically noted herein. Except that the fees and disbursements sought by Applicant are billed at rates based on the quarter of an hour rather than a tenth of the hour and in accordance with the practices customarily employed by Applicant and generally accepted by Applicant's clients.

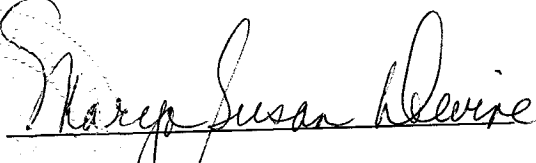
4. Applicant has provided copies of its Application to the United States Trustee, the Debtors, and Debtors' counsel at least twenty (20) days before the date set for the hearing to consider such Application.

5. In providing reimbursable expenses to the Debtors', Applicant has sought only to obtain reimbursement and not to profit on the services. In charging for a particular service, Ross, Anglim, Angelini, Valla & Krawitz, L.L.P. has not included in the amount of reimbursement amortization of the cost of any investment, equipment or capital outlay. With respect to reimbursement for services we have purchased or contracted from a third party, Ross, Anglim, Angelini, Valla & Krawitz, L.L.P. requests only the amount billed to the Applicant by the third party vendor and paid by the Applicant to such vendor.

  
JOHN R. VALLA

Sworn to and subscribed to before me this

28th day of May, 1998.

  
NOTARY PUBLIC

MARYA SUSAN DEVINE  
NOTARY PUBLIC OF NEW JERSEY  
MY COMMISSION EXPIRES SEPTEMBER 11, 2002



ALLIANCE ENTERTAINMENT CORP., ET AL  
 SCHEDULE OF TIME EXPENDED  
 SEPTEMBER 3, 1997 THROUGH SEPTEMBER 18, 1997

	HOURS	RATE	TOTAL
<b>PARTNERS</b>			
JOHN VALLA	9.00	225	2,025.00
RAYMOND ANGELINI	10.00	225	2,250.00
	-----		-----
TOTAL PARTNER	19.00		4,275.00
	-----		-----
<b>MANAGERS</b>			
FRANK MAROTTA	91.50	200	18,300.00
LAWRENCE ENTIS	7.25	200	1,450.00
	-----		-----
TOTAL MANAGE	98.75		19,750.00
	-----		-----
<b>SUPPORT STAFF</b>			
MARYA DEVINE	4.00	38	152.00
	-----		-----
<b>TOTAL</b>	<b>121.75</b>		<b>24,177.00</b>
	=====		=====



ALLIANCE ENTERTAINMENT CORP  
ANALYSIS OF TIME CHARGES

STAFF	POSITION	DATE	DESCRIPTION	HOURS	RATE	TOTAL
JOHN VALLA	PARTNER	SEPT 5'97	REVIEW OF STATE TAX RETURNS	4.50	225	1012.50
		SEPT 12'97	REVIEW OF STATE TAX RETURNS	4.50	225	1012.50
				9.00		2025.00
RAYMOND ANGELINI	PARTNER		REVIEW OF STATE TAX RETURNS AS FOLLOWS			
		SEPT 3'97	CONCORD JAZZ INC. NY, NJ, TN	1.00	225	225.00
		SEPT 3'97	CASTLE COMMUNICATIONS INC NY, NYC, NJ, TN	1.00	225	225.00
		SEPT 3'97	PASSPORT MUSIC DIST. INC NJ, CO, TN	1.00	225	225.00
		SEPT 3'97	AEC ACQUISITION GROUP NJ, TN	1.00	225	225.00
		SEPT 3'97	EXECUSOFT INC NJ, TN	1.00	225	225.00
		SEPT 4'97	INDEPENDENT NATL DISTRIBUT. GA, IL, MD, MA, TN, MN,, NJ	2.50	225	562.50
		SEPT 4'97	ALLIANCE ENTERTAINMENT ET AL CA	2.50	225	562.50
				10.00		2250.00
LAWERENCE ENTIS	MANAGER		REVIEW AND RESEARCH OF NYS ALLOCATION REGARDING SUBSIDIARY CAPITAL BASE AND TAX AS FOLLOWS:			
		SEPT 3, 97		1.75	200	350.00
		SEPT 5, 97		2.00	200	400.00
		SEPT 10, 97		2.25	200	450.00
		SEPT 12, 9	RESEARCH CODE SECTION 495 REGARDING MARK TO MARKET OF RECEIVABLES	1.25	200	250.00
				7.25		1450.00

ALLIANCE ENTERTAINMENT CORP  
ANALYSIS OF TIME CHARGES

STAFF	POSITION	DATE	DESCRIPTION	HOURS	RATE	TOTAL
FRANK MAROTTA	MANAGER					
		SEPT 2 '97	PREPARATION OF STATE TAX RET.	11.00	200	2200.00
		SEPT 3, 97	PREPARATION OF STATE TAX RET.	5.00	200	1000.00
		SEPT 3, 97	PREPARATION OF FORM 1139 FOR AIRLIE INC	5.50	200	1100.00
		SEPT 4, 97	PREPARATION OF STATE TAX RET.	2.00	200	400.00
		SEPT 4, 97	REVIEW OF STOCK OPTIONS AND WARRANTS ISSUED IN 1993 AND SUBSEQUENT YEARS TO DETERMINE DEDUCTIBILITY ON AMENDED TAX RETURNS	5.50	200	1100.00
		SEPT 5, 97	AMENDING 1993 TAX RETURN, RESULTING FROM SEPERATE RETURN LIMITATION YEAR CARRYBACK	7.50	200	1500.00
			PREPARATION OF NYS ALLOCATION SCHEDULES AND TAX RETURN			
		SEPT 8, 97		7.50	200	1500.00
		SEPT 9, 97		9.00	200	1800.00
		SEPT 10, 97		9.00	200	1800.00
			AMENDING 1995 TAX RETURNS RESULTING FROM ACQUISITIONS OF SUBSIDIARY COMPANIES			
		SEPT 11, 97		10.50	200	2100.00
		SEPT 12, 97		7.50	200	1500.00
			FINALIZATION OF STATE TAX RETURNS FOR SUBMISSION TO TAX AUTHORITIES			
		SEPT 15, 97		7.50	200	1500.00
		SEPT 16, 97		3.00	200	600.00
		SEPT 18, 97		1.00	200	200.00
				91.50		18300.00
MARYA DEVINE	SUPPORT STAFF		PROCESSING SUPPORTING STATE SCHEDULES FOR ALLOCATION AND TAX			
		SEPT 12, 97		4.00	38	152.00
TOTAL				121.75		24177.00
LESS PREVIOUSLY PAID						-15000.00
						9177.00
						2865.00
						42.50
						50.00
						2957.50
ADDED EXPENSES TOTAL						
						12134.50

\* STANDARD PRACTICE-DATA PROCESSING CHARGES FOR CLIENTS ARE BILLED AT \$5.00 PER PAGE

UNITED STATES BANKRUPTCY COURT  
1997  
SOUTHERN DISTRICT OF NEW YORK  
NOON

PRESENTMENT DATE: SEPTEMBER 22,  
PRESENTMENT TIME: 12:00

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In re )  
Chapter 11 )  
Case No. 97 B 44673 (BRL)  
ALLIANCE ENTERTAINMENT )  
CORP. et al., )  
(Jointly Administered) )  
Debtors. )  
)

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ORDER AUTHORIZING DEBTORS TO RETAIN AND COMPENSATE  
SPECIAL COUNSEL IN THE ORDINARY COURSE OF BUSINESS  
AND OTHER ORDINARY COURSE PROFESSIONALS

Upon the motion (the "Motion"), dated September 8, 1997, of the above-captioned debtors and debtors in possession (collectively, the "Debtors"), for entry of an order, pursuant to sections 105, 327 and 331 of title 11, United States Code (the "Bankruptcy Code"), as supplemented by Rule 2014 of the Federal Rules of Bankruptcy Procedure, authorizing the Debtors to retain and compensate special counsel to provide legal services arising in the ordinary course of business and other ordinary course professionals; establishing procedures pursuant to which such special counsel; and no adverse interest being represented; and notice having been given in accordance with the procedures established by the Administrative Order entered by this Court on August 13, 1997; and it appearing that no further or other notice

is necessary; and it being found that that the relief requested in the Motion is in the best interests of the Debtors, their estates, creditors and parties in interest; and after due deliberation and sufficient cause appearing therefor; it is

ORDERED, that capitalized terms used herein, and not otherwise defined, shall have the meaning ascribed to such terms in the Motion; and it is further

ORDERED, that within the ordinary course of their business, the Debtors are authorized to retain and employ law firms (collectively, the "Law Firms"), including, but not limited to, those firms listed on Exhibit "A" annexed hereto, to provide legal services arising in the ordinary course of the Debtors' business and other ordinary course professionals, including, but not limited to, those professionals listed on Exhibit "B" annexed hereto (the "Ordinary Course Professionals"), provided, however:

For each Law Firm or Ordinary Course Professional retained by one or more of the Debtors, a Retention Affidavit shall be filed with this Court and served (by first class mail) upon those parties listed on Exhibit "C" (the "Core List") and those parties who have filed notices of appearance, within twenty (20) days from the date such Law Firm or Ordinary Course Professional is directed to commence work (the "Retention Date").

Each Retention Affidavit shall comply with Bankruptcy Rules 2014 and 5002. If, for any reason, compliance is not possible, the Retention Affidavit must explain why the affiant believes departure from the Bankruptcy Rules is justified under the circumstances.

The acceptance of employment by any Law Firm or Ordinary Course Professional shall constitute a representation by the Law Firm or Ordinary Course

Professional, verified by the Retention Affidavit,  
that:

The Law Firm or Ordinary Course Professional does not represent or hold any interest adverse to the Debtors or their estates concerning the matter(s) upon which such Law Firm or Ordinary Course Law Firm is to be employed;

The Law Firm or Ordinary Course Professional agrees to be compensated by the Debtors based on the hourly rates not greater than is customarily charged by the Law Firm or Ordinary Course Professional for its professional and paraprofessional services, and a schedule of such hourly rates shall be included with the Retention Affidavit;

The Law Firm or Ordinary Course Professional shall be entitled to reimbursement only for actual and necessary expenses incurred in connection with its representation of or services for the Debtors; and

All fees and expenses billed shall be subject to final review by this Court, upon consideration of final fee applications;

and it is further

ORDERED, that any party in interest shall have the right to file an objection to the retention of a Law Firm or Ordinary Course Professional within ten (10) days of the date of filing and service of that firm's Retention Affidavit; provided however, that if the Court does not approve the retention of the Law Firm or Ordinary Course Professional, such Law Firm or Ordinary Course Professional shall still be entitled to apply for compensation for the period from the date the Debtors directed work to be commenced through the date of the Court's decision, upon appropriate application to the Court; and it is further

ORDERED, that upon submission to the Debtors of an appropriate invoice setting forth in reasonable detail the nature of services rendered, the Debtors are authorized to pay one hundred percent (100%) of the fees and disbursements to each Law Firm and Ordinary Course Professional, up to a monthly total of \$15,000 per Law Firm or Ordinary Course Professional, without the necessity of filing any interim or final fee applications on account of such fees and disbursements; and it is further

ORDERED, that to the extent monthly fees and disbursements for any Law Firm or Ordinary Course Professional exceed \$15,000 for any particular month, such excess, unless otherwise ordered by this Court, shall be paid in accordance with the procedures established by this Court for payment of professionals in these chapter 11 cases and be subject to final approval of the Court upon application therefor in accordance with sections 330 and 331 of the Bankruptcy Code or as otherwise provided in the local rules or Orders of this Court; and it is further

ORDERED, that the Debtors are authorized to retain the law firm of Powell Goldstein Frazer & Murphy nunc pro tunc to July 30, 1997; and it is further

ORDERED, that the Debtors are authorized to retain the accounting firm of Ross, Anglim, Angelini, Valla, Krawitz LLP nunc pro tunc to July 28, 1997; and it is further

ORDERED, that this Order shall be without prejudice to the Debtors' rights to apply to the Court for authority to modify the terms hereof, upon appropriate notice.

Dated: New York, New York

**November 25, 1997**

**No Objection - Subject to  
Supplemental Affidavit by  
Coopers & Lybrand, as Tax Accountants  
to be filed. Office of the U.S. Trustee**

**/s/ Brian S. Masumoto 11/24/97**

**/s/ Burton R. Lifland  
U.S. Bankruptcy Judge**

**EXHIBIT A**

**SCHEDULE OF LAW FIRMS**

<b>Name and Address</b>	<b>Description of Services</b>	<b>Projected Average Monthly Billing</b>
Powell, Goldstein, Frazer & Murphy LLP 191 Peachtree Street, N.E. Atlanta, Georgia 30303	Represents the Debtors in defense of an employment discrimination action.	\$8,000
Rubin Bailin Ortoli Mayer Baker & Fry LLP 405 Park Avenue New York, New York 10002	Entertainment law and intellectual property matters.	Varies
Keith Mack 200 S. Biscayne Blvd. 20th Floor Miami, Florida 33131	Miscellaneous Florida-based litigation matters.	\$2,000
Mori Sogo Law Offices NKK Building 1-1-2 Marunouchi Chiyoda-ku Tokyo 100 Japan	Collection matters in Japan related to Woodyland Trading, Co.	Varies



**EXHIBIT B**

**SCHEDULE OF ORDINARY COURSE PROFESSIONALS**

<b>Name and Address</b>	<b>Description of Services</b>	<b>Projected Average Monthly Billing</b>
Ross Anglim Angelini Valla & Krawitz 775 Mountain Blvd. Watchung, New Jersey 07060	Preparation of Federal and state tax returns.	\$8,000

EXHIBIT "C"

**CORE LIST**

The Office of the United States Trustee  
80 Broad Street, 3rd Floor  
New York, New York, 10004  
Attention: Brian Masumoto, Esq.

Schulte, Roth & Zabel  
(Counsel to Creditors' Committee)  
900 Third Avenue  
New York, New York 10022  
Attention: James M. Peck, Esq.

Milbank, Tweed, Hadley & McCloy  
(Counsel to the Debtors' prepetition bank lenders)  
1 Chase Manhattan Plaza  
New York, New York 10005  
Attention: David C.L. Frauman, Esq.

Zalkin, Rodin & Goodman LLP  
(Counsel to the Debtors' DIP lenders)  
750 Third Avenue  
New York, New York 10017  
Attention: Richard Toder, Esq.

Morgan, Lewis & Bockius  
(Counsel to Unofficial Committee of Secured Trade Vendors)  
2000 One Logan Square  
Philadelphia, PA 19103-6993  
Attention: Michael A. Bloom, Esq.

Alliance Entertainment Corporation  
110 East 59th Street - 18th Floor  
New York, New York 10022  
Attention: Christopher Joyce, Esq.

Willkie Farr & Gallagher  
Attorneys for the Debtors  
One Citicorp Center  
153 East 53rd Street  
New York, New York 10022

0326799.01

Attention: Marc Abrams, Esq.