

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

SCHULTE ROTH & ZABEL LLP  
Counsel to the Official Committee  
of Unsecured Creditors

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

Hearing Date: October 28, 1998  
10:00 a.m.

Application Period  
5/1/98-8/20/98

Interim Fees Sought	\$456,307.50
Interim Expenses Sought	\$21,036.47
Avg. Hourly Rate for Interim Fee Application ***	\$316.85
Total Fees Sought	\$1,104,737.50
Total Expenses Sought	\$62,000.30
Total Interim Fees Approved and Paid	\$518,744.00
Total Interim Expenses Approved and Paid	\$40,963.83
Total Interim Fees Approved but Held Back (20%)	\$129,686.00
Total Interim Expenses Disallowed	\$546.37

**ALL MATTERS**

<u>Name of Professionals</u>	<u>Year Admitted</u>	<u>Hours</u>	<u>Rates</u>	<u>Total</u>
Stephen J. Schulte <sup>1</sup>	1964	0.8	\$520.00	\$416.00
Jeffrey S. Sabin <sup>1</sup>	1978	81.7	\$480.00	\$39,216.00
James M. Peck <sup>1</sup>	1971	316.1 <sup>§</sup>	\$480.00	\$151,728.00
Kenneth Gerstein <sup>1</sup>	1977	8.2	\$460.00	\$3,772.00
Janet C. Walden <sup>1</sup>	1980	2.8	\$425.00	\$1,190.00
Shlomo C. Twerski <sup>1</sup>	1984	9.8	\$425.00	\$4,165.00
Daniel J. Kramer <sup>1</sup>	1985	4.9	\$425.00	\$2,082.50
Robert Loper <sup>2</sup>	1988 <sup>*</sup>	26.6	\$350.00	\$9,310.00

1. Partner
2. Associate
3. Summer Associate
4. Paralegal

\* Mr. Loper was admitted to practice in Georgia in 1988 and in New York in 1993.

\*\* Mr. Weber was admitted to practice in California in 1995 and in New York in 1998.

\*\*\* Pursuant to Paragraph II(C)(5) of the Executive Guidelines (as defined below), paralegal time is excluded from this calculation.

\*\*\*\* Blended rate. Effective July 1, 1998, Schulte Roth & Zabel LLP increased the hourly billing rates of certain attorneys.

§ The hours for Mr. Peck, Mr. Goldman, and Mr. Weber include the following amounts of time expended after August 20, 1998 in preparing, reviewing and filing fee applications on behalf of Schulte Roth & Zabel LLP and Chanin, Kirkland, Messina, LLC, respectively: (i) Mr. Peck -- 2.1 hours; (ii) Mr. Goldman -- 1.5 hours; and (iii) Mr. Weber -- 47.2 hours.

Andrew N. Goldman <sup>2</sup>	1992	410.1 <sup>§</sup>	\$285.85 <sup>****</sup>	\$117,229.00
Alexander J. Ornstein <sup>2</sup>	1994	12.1	\$260.00	\$3,146.00
Matthew M. Weber <sup>2</sup>	1995 <sup>**</sup>	458.3 <sup>§</sup>	\$225.89 <sup>****</sup>	\$103,527.00
Neil Koren <sup>2</sup>	1997	0.3	\$195.00	\$58.50
Nikhil Singhvi <sup>3</sup>	N/A	55.1	\$145.00	\$7,989.50
Kelly A. Berkell <sup>3</sup>	N/A	23.9	\$145.00	\$3,465.50
Denise M. McDermot <sup>4</sup>	N/A	2.1	\$115.00	\$241.50
Camellia Choung <sup>4</sup>	N/A	74.5	\$105.00	\$7,822.50
Nikki Brandon <sup>4</sup>	N/A	8.3	\$95.00	\$788.50
Rose Cherson <sup>4</sup>	N/A	2.0	\$80.00	\$160.00
<b><u>TOTALS</u></b>		<b><u>1,498.6</u></b>	<b><u>\$316.85<sup>**</sup></u></b>	<b><u>\$456,307.50</u></b>

- 
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: In re : Chapter 11  
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: ALLIANCE ENTERTAINMENT : Case No. 97 B 44673 (BRL)  
: CORP., et al. : :  
: Debtors. : (Jointly Administered)  
: :  
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**FINAL APPLICATION OF SCHULTE ROTH & ZABEL LLP, COUNSEL  
TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS  
OF ALLIANCE ENTERTAINMENT CORP. ET AL., FOR  
COMPENSATION AND REIMBURSEMENT OF EXPENSES**

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

Schulte Roth & Zabel LLP ("SR&Z"), counsel to the Official Committee of Unsecured Creditors (the "Committee") of Alliance Entertainment Corp. ("Alliance") and thirteen of its fourteen direct and indirect subsidiaries (collectively with Alliance, the "Debtors")<sup>1</sup> in the above-captioned chapter 11 cases, submits its final application (the "Final Application") for the allowance and award of compensation for legal services rendered to the Committee and payment of client charges incurred in connection with those services for the period from May 1, 1998 through August 20, 1998 (the "Final Application Period"), pursuant to section 330 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (as amended, the "Bankruptcy Code"), and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"). In support of the Final Application, SR&Z respectfully states as follows:

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<sup>1</sup> Concord Records, Inc., a subsidiary of Alliance, will be the subject of a separate disclosure statement and plan of reorganization. Accordingly, services performed by SR&Z in connection with such plan will be the subject of a later fee application.

## **PRELIMINARY STATEMENT**

On July 30, 1998, this Court confirmed the Debtors' Third Amended Joint Plan of Reorganization (the "Plan"). The Plan, which contemplates a distribution of (i) new common stock in reorganized Alliance, (ii) warrants to purchase additional new common stock, and (iii) proceeds from recoveries obtained from the prosecution of litigation claims to holders of allowed general unsecured claims against certain of the Debtors, was the product of difficult negotiations among the Debtors, the Committee, and The Chase Manhattan Bank ("Chase"), as agent bank for the Debtors' prepetition bank lenders (the "Prepetition Lenders"), carried out under the threat of a "death trap" provision in the Debtors' Second Amended Joint Plan of Reorganization which could have resulted in no recoveries to the unsecured creditors. As a result of the successful conclusion of these negotiations, unsecured creditors of certain Debtors are to receive one percent (1%) of the new common stock of reorganized Alliance and warrants on significantly better economic terms than had been proposed in earlier versions of the Plan, all litigation relating to confirmation of the Plan was avoided, and all major creditor constituencies agreed to a consensual resolution of all confirmation issues relating to the Plan and to distributions to be made thereunder. The Committee was instrumental in achieving these results that benefited the general unsecured creditors of these estates and that allowed Alliance to emerge from bankruptcy as a de-levered operating company.

In particular, as set forth in greater detail in subsequent sections of this Final Application, during the Final Application Period, SR&Z performed services for the Committee that benefited the Debtors' estates and creditors. These services include, without limitation, (i) advising and representing the Committee regarding the bankruptcy and plan of reorganization process, including extensive discussions and negotiations with the Debtors and other creditor

constituencies regarding improved treatment of general unsecured creditors under the Plan, (ii) drafting and revising a global settlement agreement among the Debtors, Chase and the Prepetition Lenders, and the Committee, including drafting and revising of certain definitive documentation including the an agreement creating a trust (the "Alliance Recovery Trust") for purposes of reconciling disputed claims of unsecured creditors, prosecuting and/or settling litigation claims, and holding the new common stock and warrants to be allocated for future distribution to holders of allowed unsecured creditors against certain Debtors, and the warrant agreement governing the issuance of warrants to unsecured creditors, (iii) conducting continuing due diligence with respect to the sale of Castle Communications plc ("Castle") and Concord Records, Inc. ("Concord"), including monitoring of the bidding process and attending the auction and sale hearing for Castle and requesting an adjournment that produced an improved bid and incremental value for the benefit of these estates, (iv) reviewing the Debtors' weekly and monthly operating results and monitoring the overall financial performance of the Debtors in conjunction with the Committee's financial advisors, Chanin Kirkland Messina, LLC ("Chanin"), (v) responding to inquiries from individual general unsecured creditors regarding the quantum and timing of distributions under the Plan, (vi) informing the Committee of all material developments in these cases, (vii) objecting to the Debtors' disclosure statement, (viii) attending numerous meetings with the Debtors, Chase and the Prepetition Lenders, the DIP Lenders (as defined below), the Unofficial Committee (as defined below), and each of these constituencies' respective professionals with regard to the Plan and the settlement of potential litigation relating to the Plan, (ix) investigating potential litigation claims against present and former officers and directors of Alliance, including informal meetings with certain of the current and former officers and directors of Alliance and participating in settlement discussions with regard to certain of the foregoing

claims, and (x) preparing a fee budget proposal, monthly fee summaries and a third fee application, and review of the professional fee-related documents for other professionals retained in these cases, including attending a third hearing on fee applications for all professionals retained in these cases.

By this Final Application, SR&Z seeks a final allowance of \$1,166,737.80, consisting of (i) \$456,307.50 as compensation for services SR&Z rendered during the Final Application Period, (ii) \$648,430.00 as compensation for services rendered from July 23, 1997 to April 30, 1998 (the "Interim Application Period"), (iii) \$21,036.47 as reimbursement of actual and necessary expenses SR&Z incurred during the Final Application Period, (iv) \$40,963.83 as reimbursement of actual and necessary expenses SR&Z incurred during the Interim Application Period. To date, SR&Z has been paid eighty percent (80%) of its allowed fees and one hundred percent (100%) of its allowed expenses in connection with work performed during the Interim Application Period.

SR&Z requests final allowance of all prior compensation for legal services rendered and reimbursement of client charges incurred on behalf of the Committee during the pendency of these cases (i.e., \$1,037,051.80), as well as allowance of the remaining twenty percent (20%) of SR&Z's fees during the Interim Application Period (i.e., \$129,686.00) which have been held back pursuant to this Court's orders granting earlier interim fee applications. SR&Z respectfully submits that payment and reimbursement of these amounts, and final approval therefor, is fully warranted given the actual and necessary services rendered to the Committee by SR&Z as described in this Final Application.

## **FACTUAL BACKGROUND**

1. As of the Petition Date (as defined below), the Debtors functioned as a fully integrated independent music company. The Debtors were also the largest domestic full service distributor of pre-recorded music and music-related products through both traditional and emerging retail channels.

2. Prior to the Petition Date (as defined below), the Debtors' proprietary products group consisted of two primary labels: Castle and Concord. Each of these labels specializes in particular genres of music and releases records under a number of label imprints. The Debtors' distribution operation is now being conducted through their "one stop" group specializing in the wholesale distribution of substantially all available pre-recorded music product, as well as music produced by independent labels. Castle was sold by order of this Court on June 25, 1998, and Concord will be the subject of a separate plan of reorganization which was filed with this Court on September 25, 1998.

3. On July 14, 1997 (the "Petition Date"), the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the Bankruptcy Code. Pursuant to sections 1107 and 1108 of 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. These chapter 11 cases have been consolidated for procedural purposes only.

4. On July 23, 1997, the Office of the United States Trustee for the Southern District of New York (the "United States Trustee") appointed the Committee. As of the date of confirmation of the Plan, the Committee consisted of eight members, and

was broadly representative of the unsecured creditors in these cases. Along with the Committee, the Chase, as agent bank for the Prepetition Lenders, and as agent bank for the bank lenders (the "DIP Lenders") under the Debtors' debtor-in-possession financing facility (the "DIP Facility"), as well as the unofficial committee of the Debtors' secured trade vendors (the "Unofficial Committee"), were active in these cases. No trustee or examiner was appointed in these cases.

5. By order dated August 27, 1997, this Court authorized the retention of SR&Z as counsel to the Committee to provide such legal services as are necessary and appropriate to represent the Committee in these cases. SR&Z has not been provided with a retainer in these cases.

6. SR&Z has made three prior fee applications (respectively the "First Application", the "Second Application", and the "Third Application") for interim allowance of compensation for services rendered and reimbursement of client charges incurred in representing the Committee in these cases. With regard to the First Application, by order dated December 24, 1997, this Court authorized the amount of \$354,222.00 to be paid to SR&Z as an interim allowance of compensation for services rendered and \$22,190.37 for reimbursement of client charges incurred during the period from July 23, 1997 to October 31, 1997 (the "First Fee Order"). With regard to the Second Application, by order dated April 6, 1998, this Court authorized the amount of \$149,583.00 to be paid to SR&Z as an interim allowance of compensation for services rendered and \$11,171.32 for reimbursement of client charges incurred during the period from November 1, 1997 to January 31, 1998 (the "Second Fee Order"). Finally, by order dated July 6, 1998, this Court authorized the amount of \$144,625.00 to be paid to SR&Z



as an interim allowance of compensation for services rendered and \$7,602.14 for reimbursement of client charges incurred during the period from February 1, 1998 to April 30, 1998 (the "Third Fee Order"). Pursuant to each of the First Fee Order, the Second Fee Order, and the Third Fee Order, payment of twenty percent (20%) of the authorized interim fee amount (i.e., \$129,686.00) has been held back and is not payable until the conclusion of these cases. Accordingly, as of the date of this Final Application, SR&Z has received \$518,744.00 for services rendered and \$40,963.83 for reimbursement of client charges.

7. On July 30, 1998, this Court confirmed the Plan. The effective date of the Plan was August 20, 1998 (the "Effective Date").

#### **JURISDICTION**

8. This Court has jurisdiction over this Final Application pursuant to 28 U.S.C. §§ 157 and 1334, and the "Standing Order of Referral of Bankruptcy Cases to Bankruptcy Judges," dated July 10, 1984, issued by District Court Judge Robert T. Ward. This is a core proceeding under 28 U.S.C. § 157(a) and (b) as set forth in 28 U.S.C. § 157(b)(2)(A). Venue of these cases and of proceedings to consider the Final Application is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

#### **STATUTORY BASIS FOR COMPENSATION**

9. The statutory predicates for the relief sought herein are Sections 330 and 331 of the Bankruptcy Code, as supplemented by Bankruptcy Rule 2016. Pursuant to Sections 330 and 331 of the Bankruptcy Code, SR&Z seeks compensation for actual, necessary professional services rendered, and for reasonable expenses incurred on behalf of the Committee during the Final Application Period.

10. Section 330(a)(1) of the Bankruptcy Code provides for the award to attorneys of:

- (1) reasonable compensation for actual, necessary services rendered by such attorney, . . . and by any paraprofessional persons employed by such attorney; and
- (2) reimbursement for actual, necessary expenses.

11. Section 330(a)(3)(A) of the Bankruptcy Code provides that, in determining the amount of reasonable compensation to be awarded, the Court shall consider the nature, the extent, and the value of such services, taking into account all relevant factors, including (i) the time spent on such services, (ii) the rates charged for such services, (iii) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under title 11, (iv) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed, and (v) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under title 11. SR&Z believes that, in rendering services to the Committee and in its request for compensation, it has satisfied all of the foregoing standards.

12. Congress intended that attorneys be compensated at the market rate for comparable services in non-bankruptcy cases. In re The Drexel Burnham Lambert Group, Inc., 133 B.R. 13, 22 (Bankr. S.D.N.Y. 1991) (Conrad, J.) (citing In re Cena's Fine Furniture, Inc., 109 B.R. 575, 583 (E.D.N.Y. 1990)). The policy and intention of Section 330(a) is to ensure that qualified lawyers will not be discouraged from bankruptcy practice. Drexel, 133 B.R. at 18-19; H.R. Rep. No. 595, 95th Cong., 2d Sess. 330, reprinted in 1978 U.S.C.C.A.N. 5787, 6286.

13. The Court's examination of the reasonableness of services rendered must be based upon the applicant's contemporaneous time records. Cena's Fine Furniture, 109 B.R. at 582. Section 330(a)(1) requires only that the services rendered were actual and necessary. Drexel, 133 B.R. at 23.

### **SR&Z AND ITS BILLING PRACTICES**

14. SR&Z is a general practice law firm based in New York City comprised of approximately 230 lawyers. The firm has a broad, diversified national practice and represents clients throughout the United States in a wide range of sophisticated matters. The firm is committed to maintaining the highest standards of professional excellence and requires outstanding credentials of its professionals.

15. SR&Z enjoys a national reputation for its expertise in the field of business reorganization and for its ability to handle challenging and complex transactions, and to solve difficult problems, in creative and efficient ways. SR&Z has been and continues to be actively involved on behalf of its clients in many large and complex reorganization cases. SR&Z's extensive experience includes the representation of debtors, trustees, secured and unsecured creditors, committees, plan proponents and other interested parties in cases across the country.

16. James M. Peck and Jeffrey S. Sabin are the partners who have been principally responsible for SR&Z's representation of the Committee. Andrew N. Goldman and Matthew M. Weber are the associates who have been the most active in the day-to-day administration of this engagement. Alexander J. Ornstein is an associate who has provided additional assistance in these cases when needed. Camellia Choung is the paralegal principally assigned to this matter. In addition, other attorneys from SR&Z have assisted in their respective areas of expertise when the issues raised in these cases warranted their involvement.

17. SR&Z assigns standard hourly billing rates to its lawyers and other professionals. SR&Z charges its nonbankruptcy clients the same standard hourly billing rate for similar services. SR&Z's time charges for its attorneys are believed to be comparable to and competitive with the charges of other law firms of similar size and sophistication in New York City.

18. In accordance with this Court's Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases (the "Local Guidelines") and the Executive Office for U.S. Trustees' Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. §§ 330 and 331 (the "Executive Guidelines"), the cover page of this Final Application includes a schedule of all partners, associates and paralegals of SR&Z who rendered services to the Committee during the Final Application Period, showing their respective hourly billing rates and the total hours expended by each in connection with these cases. Annexed hereto as Exhibit A is the Certification of James M. Peck, a member of SR&Z, as required by Section A of the Local Guidelines and Section II.E of the Executive Guidelines.

19. The attorneys and legal assistants of SR&Z maintain detailed daily records of their time concurrently with the rendition of professional services. Annexed hereto as Exhibit B are summary schedules and copies of SR&Z's contemporaneous time records (the "Time Records"), which reflect the work performed and the time spent on each task by each SR&Z professional during the Final Application Period. The details of each activity and project that required the time and attention of SR&Z's professionals are set forth in the Time Records in accordance with the requirements of the Local Guidelines and the Executive Guidelines. Because of the detail of the Time Records, this Final Application does not purport to describe all of the

work performed by SR&Z during the Final Application Period, but instead summarizes SR&Z's principal activities.

20. Annexed hereto as Exhibit C is a summary schedule and copies of SR&Z's detailed itemized records of client charges incurred on behalf of the Committee during the Final Application Period. SR&Z's original accounting records of these charges are available for inspection by the Court and all interested parties.

21. In accordance with this Court's order dated as of November 24, 1997 relating to the budgeting of professional fees and expenses, SR&Z periodically prepares a budget of anticipated fees and expenses broken down by billing category. Annexed hereto as Exhibit D is SR&Z's budget proposal, modified to include the month of August 1998 (the "Budget Proposal"), setting forth the fees expected to be incurred during the Final Application Period, along with comparisons of the budgeted fees versus the actual fees incurred during this period, both in the aggregate and broken down by billing category. On an aggregate basis, the Budget Proposal indicates that SR&Z budgeted \$287,500.00 in fees for all matters during the Final Application Period. Actual fees in the total amount of \$444,008.50 for the Final Application Period demonstrate a total variance of \$156,508.50 when compared with the amounts set forth in the Budget Proposal. This variance appears to be due to unanticipated increased levels of professional activity relating to possible "cram down" litigation and the adversarial negotiations leading up to the settlement of confirmation issues.

#### **SUMMARY OF LEGAL SERVICES RENDERED**

22. The general areas in which SR&Z rendered professional services to the Committee, broken down by billing category, and accompanied by summaries of the more

significant services performed for the Committee during the Final Application Period,<sup>2</sup> are as follows:

**I. General Chapter 11**

23. SR&Z rendered services in connection with case administration which are not attributable to any of the other specific billing categories set forth in further detail below.

Such services included, without limitation, (i) general review of routine pleadings and correspondence such as motions to sell assets, a motion to reject employment agreements with certain sales representatives, motions to reject leases, a motion for relief from the automatic stay, a motion to extend the time in which to assume or reject leases and an objection thereto, Section 546(g)\* notices, and the like, and (ii) periodic review of electronic docket updates in these cases, (iii) financial reporting from Chanin regarding the Debtors' operating performance.

24. As shown in Exhibit B, during the Final Application Period, SR&Z professionals recorded approximately 53.8 hours, the value of which is \$7,857.00, with respect to the General Chapter 11 billing category.

**II. Red Ant**

25. SR&Z inquired as to the adjournment of the hearing to resolve the Bankruptcy Rule 9019 motion to settle intercompany claims by and between Red Ant and the Debtors.

26. As shown in Exhibit B, during the Final Application Period, SR&Z professionals recorded approximately 0.4 hours, the value of which is \$142.00, with respect to the Red Ant billing category.

### **III. Castle/Concord**

27. SR&Z monitored the sale process relating to the Debtors' content businesses, including inquiry as to the details of specific bids relating to Castle submitted in advance of the auction and sale hearing scheduled with this Court. SR&Z also attended this hearing and, after review of the Debtors' motion to sell Castle, including review of proposed bidding procedures, noted that none of the bids conformed to the bidding requirements and requested that the sale be postponed in order to evaluate further bids in the hopes of attaining additional value for these estates. As a result, a subsequent auction and sale hearing was held by this Court approximately one month later on June 25, 1998, at which time the Debtors realized increased consideration for the sale of Castle.

28. As shown in Exhibit B, during the Final Application Period, SR&Z professionals recorded approximately 26.8 hours, the value of which is \$9,415.50, with respect to the Castle/Concord billing category.

### **IV. Plan and Disclosure Statement**

29. During the Final Application Period, after discussing and reviewing the disclosure statement filed by the Debtors, SR&Z began negotiating in earnest with the Debtors and representatives of other creditor constituencies with regard to potential plan of reorganization alternatives and the inadequate treatment of unsecured creditors thereunder, and filed an extensive objection to the Debtors' disclosure statement. During the period which followed, SR&Z and Chanin continued to attend various meetings with the Debtors and Chase and their professionals to discuss treatment under the Plan which would be deemed acceptable by all of the major creditor constituencies, including the Committee. As a result of lengthy negotiations, including a mediation conference with this Court, SR&Z and Chanin reached an agreement in principle with

the Debtors and the Prepetition Lenders which SR&Z and Chanin recommended to the Committee, and which the Committee accepted. Following the Committee's acceptance of the agreement reached with the Debtors and the Prepetition Lenders, SR&Z prepared a term sheet memorializing the agreement, and reviewed and prepared documentation implementing its terms, including the agreement governing the Alliance Recovery Trust, the warrant agreement for the warrants to be distributed to certain holders of general unsecured claims, an agreement to transfer certain litigation claims held by the Prepetition Lenders to the Alliance Recovery Trust in exchange for fifty percent (50%) of all proceeds realized from litigation causes of action owned by the Alliance Recovery Trust, and other related documentation. SR&Z also helped the Committee select a trustee for the Alliance Recovery Trust, and addressed various structural issues related to the Alliance Recovery Trust, including bankruptcy law, securities law, and tax law implications to Alliance, the Alliance Recovery Trust and the beneficiaries thereof.

30. As shown in Exhibit B, during the Final Application Period, SR&Z professionals recorded approximately 1,048.5 hours, the value of which is \$324,494.50, with respect to the Plan and Disclosure Statement billing category.

#### **V. Committee Organization/Meetings**

31. SR&Z prepared numerous memoranda, correspondence, and analyses to facilitate communication with the Committee, and conducted various conferences and Committee meetings on significant issues arising in these cases, primarily focusing on treatment under the Plan and issues relating to the creditors' trust which would distribute all consideration to be received by unsecured creditors in these cases. SR&Z drafted and circulated agendas and minutes for each Committee meeting. These activities also included telephone conferences with certain of the Committee members for purposes of coordinating meetings, relaying information, and polling



individual members. On occasion, the Committee meetings included the Debtors and Chase, and their respective counsel and financial advisors.

32. As shown in Exhibit B, during the Final Application Period, SR&Z professionals recorded time aggregating 115.2 hours, the value of which is \$40,942.00, with respect to the Committee Organization/Meetings billing category.

#### **VI. Bank Lien Analysis and Review**

33. SR&Z attended a pretrial conference relating to the Committee's complaint seeking declaratory relief relating to the validity of the security interests of the Prepetition Lenders in the domestic copyrights owned by Concord and engaged in discussions with counsel for the Prepetition Lenders to resolve this adversary proceeding within the context of Plan negotiations.

34. As shown in Exhibit B, during the Final Application Period, SR&Z professionals recorded approximately 5.1 hours, the value of which is \$2,067.00, to the Bank Lien Analysis and Review billing category.

#### **VII. Retentions**

35. SR&Z reviewed supplemental retention affidavits of Zolfo Cooper, LLC and other affidavits filed by professionals retained in these cases.

36. As shown in Exhibit B, during the Final Application Period, SR&Z professionals recorded approximately 1.1 hours, the value of which is \$154.00, with respect to the Retentions billing category.

#### **VIII. DIP Facility**

37. SR&Z professionals did not perform any services in connection with the DIP Facility billing category during the Final Application Period.

**IX. Corporate Governance**

38. SR&Z professionals did not perform any services in connection with the Corporate Governance billing category during the Final Application Period.

**X. Fee Applications and Monthly Fee Summaries**

39. SR&Z submitted a budget proposal to the Budget Committee established pursuant to this Court's budgeting order for these cases which projected fees by separate billing categories for the period from August 1, 1998 to October 31, 1998 for SR&Z and Chanin respectively. In addition, SR&Z reviewed the budget proposals submitted by other professionals retained in these cases.

40. In accordance with the Local Guidelines and the Executive Guidelines, SR&Z also (i) prepared and distributed monthly summaries of fees and expenses incurred in its representation of the Committee, and filed the Third Application, as well as the third fee application of Chanin. For administrative convenience, SR&Z reviewed its detailed billing reports to allocate properly time entries to separate billing matters for those tasks that required material amounts of time. SR&Z also reviewed the monthly fee summaries of other professionals, and attended a hearing on the fee applications of all professionals retained in these cases.

41. As shown in Exhibit B, during the Final Application Period, SR&Z professionals recorded approximately 70.6 hours, the value of which is \$15,924.00, in complying with the Executive Guidelines and in dealing with the administrative requirements attendant to the budgeting process, as well as the recording and reporting of professional time.<sup>3</sup>

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<sup>3</sup> These figures do not include hours expended after the Final Application Period in preparing, reviewing and filing the Final Application and a final fee application on behalf of Chanin. Such efforts account for \$12,299.00 in fees over and above the time spent by SR&Z during the Final Application Period, as set forth in the cover sheet to this Final Application.

## **XI. General Creditor Inquiries**

42. SR&Z handled numerous inquiries from general unsecured creditors and holders of common stock of Alliance regarding these cases, including questions relating to, among other things, the relative priorities of creditors in these bankruptcy cases, the rights of the holders of senior subordinated notes in these cases, the status of plan negotiations and the contemplated treatment of unsecured creditors, the timing of distribution of consideration allocated to unsecured creditors, and treatment of the old common stock of Alliance.

43. As shown in Exhibit B, during the Final Application Period, SR&Z professionals recorded approximately 31.4 hours, the value of which is \$8,359.50, with respect to the General Creditor Inquiries billing category.

## **XII. INDI Liquidation**

44. SR&Z continued to review the notices of intent to sell inventory or compromise accounts receivable of INDI to determine whether or not to object to such sale or compromise, and responded to creditors seeking to alleviate returns exposure resulting from the sale of such inventory to third parties.

45. As shown in Exhibit B, during the Final Application Period, SR&Z professionals recorded approximately 1.9 hours, the value of which is \$497.00, with respect to the INDI Liquidation billing category.

## **XIII. Insider Claims**

46. SR&Z continued to review the Debtors' schedules and statements of financial affairs, prepetition public filings with the Securities and Exchange Commission, minutes from prepetition meetings of the board of directors of Alliance, and other relevant documentation to obtain further information concerning certain prepetition transactions that appeared

questionable, requested additional discovery from the Debtors regarding such transactions, and continued to schedule interviews and meetings with various current and former members of the board of directors of Alliance, including (i) Messrs. Townsend Ziebold and Randall Weisenburger of Wasserstein Perella & Co., Inc., (ii) Messrs. Alvin Teller and Joseph Bianco, and (iii) Messrs. Douglas Brent and Robert Marakovits of Bankers Trust, to gather facts and other information regarding these transactions.

47. As shown in Exhibit B, during the Final Application Period, SR&Z professionals recorded approximately 93.0 hours, the value of which is \$34,156.00, with regard to the Insider Claims billing category.

#### **REIMBURSEMENT OF EXPENSES**

48. SR&Z maintains detailed records of client charges which are accumulated on behalf of its clients. In connection with its representation of the Committee during the Final Application Period, SR&Z accumulated \$21,036.47 in reimbursable client charges. Each charge incurred by SR&Z was necessary and was incurred as a direct result of SR&Z's representation of the Committee. A summary of SR&Z's client charges is set forth in Exhibit C. SR&Z's detailed records of these charges are available for inspection by the Court and interested parties.

49. It is SR&Z's practice to make an equitable allocation of the cost of support services it provides by charging word processing, copying fees, computer and automated legal research time, and the like separately, rather than including such costs as an overhead component in the hourly rates of SR&Z's professionals. This billing practice more closely reflects the expenditure of resources in the provision of services to particular clients. Support services and client charges incurred are itemized and explained in greater detail in Exhibit C.

50. All duplicating costs relating to this matter have been charged at \$.11 per page. Disbursements for air freight, computer research, conference and client meals, local and long distance travel, messenger services, out-of-town meals, postage and printing have been charged at the actual cost to SR&Z. Outgoing facsimile transmissions are billed at \$.50 per page plus the cost of the long-distance telephone call. SR&Z does not charge for incoming facsimile transmissions. SR&Z bills the overtime meals of attorneys and paralegals at the actual cost of such meals, subject to a limit of \$25.00 per meal. Although SR&Z's client charge records are not amenable to reducing this limit to \$20.00 in accordance with the Local Guidelines and the Executive Guidelines, SR&Z has reduced the reimbursement of expenses requested in the Final Application to comply with the \$20.00 per meal limitation.

### **CONCLUSION**

WHEREFORE, SR&Z requests that this Court enter an appropriate order (i) granting this Final Application for compensation and reimbursement of actual and necessary client charges in the aggregate amount of \$1,166,737.80, consisting of (a) \$456,307.50 as compensation for professional services rendered during the Final Application Period (and including time spent in preparing, reviewing and filing this Final Application and a final fee application on behalf of Chanin), (b) \$648,430.00 as compensation for services rendered during the Interim Application Period, (c) \$21,036.47 as reimbursement for actual and necessary client charges incurred during the Final Application Period, and (d) \$40,963.83 as reimbursement for actual and necessary reimbursement of expenses incurred during the Interim Application Period, and (ii) granting SR&Z any such other relief as is just and proper.

Dated: New York, New York  
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SCHULTE ROTH & ZABEL LLP

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