

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

COVER SHEET: APPLICATION FOR PROFESSIONAL COMPENSATION

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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)	
)	
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Type of Application: Interim Final

Name of Applicant:	Zolfo Cooper, LLC
Authorized to Provide Professional Services to:	The Debtors
Date of Order Authorizing Employment:	July 14, 1997

Compensation Sought:	
Application Date:	October 3, 1998
Application Period:	July 14, 1997 through August 20, 1998

	Hours	Amount
Fees:		
Professional	<u>9,111.6</u>	\$2,580,214.50
Expense Reimbursement		<u>168,342.52</u>
Total		<u>\$2,748,557.02</u>

Fees incurred during the period from July 14, 1997 through August 20, 1998(the "Application Period")

A summary of professional fees incurred during the Application Period, by professional, is set forth below:

<u>Name of Professional</u>	<u>Position with ZC</u>	<u>Years of Experience</u>	<u>Hours Billed</u>	<u>Hourly Rate</u>	<u>Total</u>
<u>Partners:</u>					
S. Cooper	Principal	28	68.2	\$395	\$ 26,939.00
L. LoBiondo	Principal	18	627.6	390	244,764.00
	Principal		369.0	395	145,755.00
N. Lavin	Principal	32	2.3	395	908.50
<u>Associates:</u>					
W. Murphy	Project Manager	21	1,230.4	350	430,640.00
	Project Manager		1,438.8	375	539,550.00
K. Golmont	Project Manager	17	142.0	310	44,020.00
P. Gund	Project Manager	13	2.5	310	775.00
M. Winschuh	Project Manager	12	1,110.1	290	321,929.00
L. Potash	Project Staff	12	971.6	220	213,752.00
T. Carlson	Project Staff	5	1,143.8	200	228,760.00
	Project Staff		1,485.3	215	319,339.50
W. Shaw	Project Staff	5	9.5	200	1,900.00
M. Leonard	Project Staff	2	93.0	150	13,950.00
P. Mennona	Project Staff	2	3.0	50	150.00
	Project Staff		57.7	150	8,655.00
J. Sesta	Project Staff	1	210.3	50	10,515.00
	Project Staff		143.5	75	10,762.50
J. Capone	Project Staff	1	3.0	50	150.00
		Total	9,111.6		2,563,214.50
Estimated Fees					17,000.00
Total professional fees					<u>\$2,580,214.50</u>
Average Blended					
Hourly Rate					<u>\$281.31</u>
Is this a first application? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>					

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

<u>Date Filed</u>	<u>Period Covered</u>	<u>Total Fees and Expenses</u>		
		<u>Requested</u>	<u>Held Back</u>	<u>Allowed</u>
November 26, 1997	July 14 1997 through October 31, 1997	\$1,175,076.50	\$336,530.70	\$838,545.80
March 2, 1998	November 1, 1997 through January 31, 1998	\$583,680.68	109,479.30	\$474,201.38
May 29, 1998	February 1, 1998 through April 30, 1998	\$493,932.84	\$89,763.60	\$404,169.24
Totals		<u>\$2,252,690.02</u>	<u>\$535,773.60</u>	<u>\$1,716,916.42</u>
Aggregate Fees and Expenses Paid to Date				<u>\$1,716,916.42</u>

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A.E. Land Corp.,)	
Matrix Software Corp.,)	
AEC Americas, Inc.,)	
FL Acquisitions Corp.,)	Jointly Administered
Execusoft, Inc.,)	
AEC Acquisition Corp.,)	
)	
Debtors)	
)	
-----)	

**FINAL APPLICATION OF ZOLFO COOPER, LLC
FOR ALLOWANCE OF FINAL COMPENSATION FOR SERVICES RENDERED
AS SPECIAL FINANCIAL ADVISORS AND BANKRUPTCY CONSULTANTS
TO THE DEBTORS
AND FOR REIMBURSEMENT OF EXPENSES UNDER 11 U.S.C. § 330(a)**

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

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 collectively 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 were a fully integrated independent music company which created, marketed, and distributed their proprietary content rights consisting of both new artist and catalog product in several genres. The Debtors have sold or otherwise divested themselves of their content business and have, during the course of these Chapter 11 proceedings, reorganized their businesses around the core distribution assets of One Stop Group and One Way Records. The Debtors have successfully emerged from a Chapter 11 as a \$350 million music distributor expected to generate in excess of \$15 million of operating cash flow in 1999 (an improvement of more than \$30 million over their recurring prepetition operating cash flow of the surviving business). The Debtors accomplished the successful reorganization in just 13 months, preserving the jobs of over 600 employees. The Debtors remain one of the two largest domestic full service distributors of pre-recorded music and music-related products and are rapidly moving to establish themselves as the preeminent distributor of music and related products over the internet. It should also be noted that to the best of our knowledge, there has never been a successful reorganization of a full service one stop music distributor prior to this case.

Due to the complex nature of the Debtors' businesses, the Debtors required the services of experienced Special Financial Advisors and Bankruptcy Consultants to assist them in restructuring the business and developing, negotiating and confirming plans of reorganization. Because of Zolfo Cooper, LLC's ("ZC" or the "Applicant") expertise and experience at a national level in providing reorganization, accounting and a broad range of consulting services to Debtors and other parties-in-interest in financially complex troubled situations, the Debtors applied to the Bankruptcy Court to authorize ZC's retention as Special Financial Advisors and Bankruptcy Consultants to the Debtors. The Bankruptcy Court entered an order (the "Retention Order") on July 14, 1997, authorizing the retention of Zolfo Cooper, LLC to:

“

- (a) Advise and assist management in organizing the Debtors' resources and activities so as to effectively and efficiently plan, coordinate and manage the chapter 11 process and communicate with customers, lenders, suppliers, employees, shareholders and other parties in interest;
- (b) advise and assist the Debtors' management in preparing certain financial information that may be required by the Court and/or creditors, including monthly operating reports, forecasted cash flow statements, analyses of various asset and liability accounts, and the like;
- (c) advise and assist the Debtors' management in developing models for debt restructuring and financial forecasting, analyzing alternative restructuring scenarios, and participating in the preparation of a plan or plans of reorganization and the plan negotiating process;
- (d) advise and assist the Debtors' management in analyzing creditor claims;
- (e) advise and assist the Debtors' management in preparing information to be included in bankruptcy schedules and statements of financial affairs;
- (f) advise and assist the Debtors' management in preparing and analyzing long term business plans, financial projections and other necessary reports;
- (g) attend court hearings and meetings with parties in interest, including any official or unofficial committees;
- (h) advise and assist the Debtors' management regarding the claims of various creditors;
- (i) render expert testimony and other services regarding the feasibility of a plan or plans of reorganization and other matters;
- (j) advise and assist the Debtors' management concerning employee retention matters;
- (k) advise and assist the Debtors' management in assessing the value of various assets, business units and security interests;
- (l) assist the Debtors with the analysis and identification of potential voidable transactions and unenforceable claims pursuant to section 547 and 548 of the Bankruptcy Code;
- (m) assist the Debtors' management in connection with the administration of the claims and distributions of the chapter 11 estates;
- (n) advise and assist the Debtors' management in the sale or closure of non-core business units and/or assets;

- (o) provide such other financial advisory and consulting services as may be reasonably requested by the Debtors' management; and
- (p) consistent with the above, provide such other financial advisory services as may be requested by the Debtors. ”

1. A copy of the Order authorizing the retention of ZC as Special Financial Advisors and Bankruptcy Consultants to the Debtors, along with the related application to the Bankruptcy Court for such retention authority and the supporting Affidavit of Leonard J. LoBiondo, is attached as Exhibit A. The Retention Order authorized the Debtors to pay ZC in accordance with Orders of the Court. ZC currently holds a retainer of \$147,756.33 after application immediately prior to the Filing of incurred prepetition fees and expenses.

Certification

2. The affiant, a principal in the firm of ZC, 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 "Amended Guidelines") certifies that, except as otherwise noted elsewhere herein:

- 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 Amended 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.

2) This final application for allowance of fees and reimbursement of out-of-pocket expenses has been reviewed and approved by the Debtors,

3) Each of the Debtors, the Trustee and the Chair of each Official Committee has each been provided in conjunction with this Application, a statement of fees for services and out-of-pocket expenses accrued during each month and containing a list of professionals, paraprofessional and support personnel providing services; their respective billing rates; the aggregate hours expended by each such person and an explanation of ZC's billing practices. In some instances the statements were not provided within 20 days of the month end.

4) Each of the Debtors, the Trustee and the Chair of each Official Committee has each been provided a copy of this final application for allowance of fees and reimbursement of out-of-pocket expenses at least twenty days prior to the date scheduled for a hearing on final fee applications.

5) With respect to expenses and reimbursable services incurred for which reimbursement is sought, ZC:

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.

Relief Requested

3. This application is made for final allowance of compensation for services rendered by ZC as Special Financial Advisors and Bankruptcy Consultants to the Debtors and for reimbursement of necessary out-of-pocket expenses actually incurred during the period from July 14, 1997 through August 20, 1998 (the "Application Period"). ZC filed three previous applications for allowance of interim compensation and reimbursement of out-of-pocket expenses during the Application Period.

ZC provided an aggregate of 9,111.6 hours of services as Special Financial Advisors and Bankruptcy Consultants to the Debtors for professional services, thereby incurring fees of \$2,580,214.50 in the aggregate for professional services, and out-of-pocket expenses of \$168,342.52. The above amounts include estimated fees of \$17,000 and expenses of \$3,000 for professional services rendered subsequent to August 20, 1998, the effective date of reorganization. ZC estimates that it will incur such fees and expenses during the period after the effective date for retention related services including; post-confirmation financing, finalizing the Final Fee application, responding to objections, if any, and attending the Final Fee Hearing.

The hours expended and the professional fees and out-of-pocket expenses incurred by month during the Application Period are summarized as follows:

<u>Month/Year</u>	<u>Hours</u>	<u>Prof. Fees</u>	<u>Expenses</u>	<u>Total Fees & Expenses</u>
1 st Application Period				
July/August 1997	1,933.7	\$ 498,145.00	\$ 16,598.87	\$ 514,743.87
September 1997	1,098.5	310,171.00	16,931.19	327,102.19
October 1997	1,122.8	313,453.00	24,169.76	337,622.76
Less: Adjustments *			<u>(4,392.32)</u>	<u>(4,392.32)</u>
SUBTOTAL	<u>4,155.0</u>	<u>\$1,121,769.00</u>	<u>\$ 53,307.50</u>	<u>\$1,175,076.50</u>
2 nd Application Period				
November 1997	844.3	\$ 237,314.00	\$ 12,891.27	\$ 250,205.27
December 1997	604.7	175,551.00	10,156.04	185,707.04
January 1998	<u>448.3</u>	<u>134,531.50</u>	<u>13,236.87</u>	<u>147,768.37</u>
SUBTOTAL	<u>1,897.3</u>	<u>\$ 547,396.50</u>	<u>\$ 36,284.18</u>	<u>\$ 583,680.68</u>
3 rd Application Period				
February 1998	491.6	153,234.00	14,176.79	167,410.79
March 1998	470.8	145,614.00	16,513.06	162,127.06
April 1998	<u>482.4</u>	<u>149,970.00</u>	<u>14,424.99</u>	<u>164,394.99</u>
SUBTOTAL	<u>1,444.8</u>	<u>\$ 448,818.00</u>	<u>\$ 45,114.84</u>	<u>\$ 493,932.84</u>
Fees and Expenses for which No Prior Fee Applications were Filed				
May 1998	498.0	146,806.50	10,944.57	157,751.07
June 1998	484.4	147,137.00	9,411.52	156,548.52
July 1998	540.1	131,966.50	7,597.40	139,563.90
August 20, 1998	<u>92.0</u>	<u>19,321.00</u>	<u>2,682.51</u>	<u>22,003.51</u>
SUBTOTAL	<u>1,614.5</u>	<u>\$ 445,231.00</u>	<u>\$ 30,636.00</u>	<u>\$ 475,867.00</u>
Estimated after 8/20		17,000.00	3,000.00	20,000.00
TOTAL	<u>9,111.6</u>	<u>\$2,580,214.50</u>	<u>\$168,342.52</u>	<u>\$2,748,557.02</u>

* Adjustments to correct invoices.

1. On December 22, 1997, the Bankruptcy Court conducted an interim fee hearing and considered ZC's first application for allowance of interim compensation and out-of-pocket expenses covering the period July 14, 1997 through and including October 31, 1997. ZC had requested fees of \$1,121,769.00 and out-of-pocket expenses of \$53,307.50, \$1,175,076.50 in total. The Bankruptcy Court entered an order awarding ZC allowance of interim compensation in the amount of \$785,238.30 in fees and \$53,307.50 for out-of-pocket expenses, and deferred for further consideration at the final fee hearing a holdback of 30% of fees, or \$336,530.70.

2. On April 1, 1998, the Bankruptcy Court conducted an interim fee hearing and considered ZC's second application for allowance of interim compensation and out-of-pocket expenses covering the period November 1, 1997 through and including January 31, 1998. ZC had requested fees of \$547,396.50 and out-of-pocket expenses of \$36,284.18, \$583,680.68 in total. The Bankruptcy Court entered an order awarding ZC allowance of interim compensation in the amount of \$437,917.20 in fees and \$36,284.18 for out-of-pocket expenses, and deferred for further consideration at the final fee hearing a holdback of 20% of fees, or \$109,479.30.

3. On July 1, 1998, the Bankruptcy Court conducted an interim fee hearing and considered ZC's third application for allowance of interim compensation and out-of-pocket expenses covering the period February 1, 1998 through and including April 30, 1998. ZC had requested fees of \$448,818.00 and out-of-pocket expenses of \$45,114.84, or \$493,932.84 in total. The Bankruptcy Court entered an order awarding ZC allowance of interim compensation in the amount of \$359,054.40 in fees and \$45,114.84 for out-of-pocket expenses, and deferred for further consideration at the final fee hearing a holdback of 20% of fees, or \$89,763.60.

9. Copies of the invoices are attached as Exhibit "B" to this final application for allowance of compensation and reimbursement of out-of-pocket expenses for the period from May 1, 1998 through August 20, 1998. Accompanying each invoice is: a) a list of professionals and their respective billing rates; b) the aggregate hours expended by each professional; c) a summary of out-of-pocket expenses incurred during the billing period and; d) an explanation of ZC's billing practices. Invoices supporting the periods prior to May 1, 1998 are included in the interim applications previously filed with this Court.

10. A summary analysis of the expenses incurred showing the amount incurred in each expense category, in each interim period during the Application Period is attached as Exhibit "C" to this final application for allowance of compensation and reimbursement of out-of-pocket expenses. This summary analysis is supported by detailed expense descriptions for the current period showing, by professional, the amount incurred in each expense category. Detailed expense

descriptions supporting the periods prior to May 1, 1998 are included in the interim applications previously filed with this Court. In the course of the proceeding, ZC incurred substantial travel expenses. ZC's out of town expenses were incurred for the following reasons:

- In order to effectively fulfill its functions as Special Financial Advisors and Bankruptcy Consultants to the Debtors, ZC was required to be with the executive management on a daily basis. The closure of the Debtors' corporate offices and INDI corporate offices in New York City in the months of February 1998 and April 1998, respectively, completed the transition of the day-to-day location of executive management to Coral Springs which began in September 1997.
- ZC advised the Debtors' on the operational rehabilitation of their businesses, primarily the One Stop Group distribution business. The main distribution facility for the One Stop Group, as well as purchasing, sales, and financial management for this business, are located in Coral Springs. It would have been impossible for ZC assist the Debtors to identify operational improvement opportunities and implement actions to enhance performance without being present at the Debtors' main operational and managerial site.

11. During the Application Period ZC submitted four budgets, covering the period from November 1, 1997 through September 30, 1998. ZC's services and budget estimates were reviewed and approved in advance by the Debtors', Official Unsecured Creditors Committee, U.S. Trustee, and the unofficial committee of Major Vendors. ZC completed all of the budgeted services successfully on time and at under the budgeted fees. A summary comparison of actual hours expended by professional by project and fees incurred to the budget for professional fees submitted to the Budget Committee by ZC for the Application Period is shown below and attached as Exhibit "D".

Summary of Budget vs. Actual Fees:

Period	Fees		
	Actual	Budget	Over/(Under)
1 st Fee Application	\$1,121,769.00	\$1,121,769.00	N/A
2 nd Fee Application/First Budget	547,396.50	600,000.00	(52,603.50)
3 rd Fee Application/Second Budget	448,818.00	450,000.00	(1,182.00)
Third Budget	425,910.00	450,000.00	(24,090.00)
Fourth Budget	<u>36,321.00</u>	<u>50,000.00</u>	<u>(13,679.00)</u>
	<u>\$2,580,214.50</u>	<u>\$2,671,769.00</u>	<u>(\$91,554.50)</u>

This summary comparison is supported by a general description of the services rendered, summarized by project, and detailed time descriptions of services performed in each project area and the time expended, organized by day, by professional for the Current Period. Detailed time descriptions supporting the periods prior to May 1, 1998 are included in the interim applications previously filed with this court.

12. A recap of professional fees and out-of-pocket expenses invoiced from the Filing Date through the end of the Application Period, showing the amounts incurred, the amounts held back pursuant to the terms of the Interim Orders for the Allowance of Professional Fees and Expenses pending final application to the Bankruptcy Court, the amounts previously awarded by the Bankruptcy Court, the amounts paid by the Debtors to the date of this final application, and the amounts unpaid are attached as Exhibit “E” to this final application for allowance of compensation and reimbursement of out-of-pocket expenses.

Billing Practices

13. It is ZC's customary practice to charge fees based on actual hours expended to perform its services at standard hourly rates established for each principal and employee as adjusted annually. ZC does not bill clients for travel time unless work is performed en route. Time entries are recorded in six minute increments. Fees reflect economies resulting from the use of paraprofessional and support personnel to develop schedules and analyses, input computer data, perform research, and other activities necessary to the efficient administration of a case. So as not to burden clients who do not require such services, ZC does not include support services in the firm's overhead for the purpose of establishing billing rates. Billing rates are generally representative of prevailing market rates, as awarded by other Courts in similar circumstances, for practitioners providing such services at a national level who have comparable skill and experience.

ZC charges its clients only for reasonably incurred, out-of-pocket expenses associated with an assignment. Except as necessary to comply with the Guidelines for allowance of professional fees and expenses, all such expense billings are in accordance with the Firm's customary practices. ZC personnel stay at convenient, quality hotels and eat at quality restaurants; ZC does not incur costs for luxury accommodations or deluxe meals and when prohibited by applicable administrative order does not bill clients for first class airfare. Except as follows, all expenses are billed at actual cost, exclusive of amortization of the cost of any investment, equipment or capital outlay: (i) internal charges for outgoing out-of-town facsimile transmissions are \$1.25 for domestic transmissions and \$2.50 for foreign transmissions; (ii) internal photocopy charges are \$.20 per page.

ZC maintains contemporaneous records of the time expended and out-of-pocket expenses incurred in support of its billings for services. All such records are located in the ZC's offices and are available for inspection, subject to certain matters contained therein that may be privileged.

Staffing and Approach

14. ZC is a nationally recognized independent financial advisory and consulting firm specializing in advising Debtors, creditors' committees, investors and court-appointed officials in formal Bankruptcy proceedings and out-of-court workouts. A substantial portion of ZC's work is advisory and involves ZC's professionals counseling senior client personnel regarding high-level strategic and tactical issues. Consistent with its relatively unique practice, ZC's staff consists primarily of seasoned professionals. A typical new employee at ZC is a former "Big 6" partner or manager frequently with from 5 to more than 7 years of experience. Indeed, more than 50% of ZC's professionals have in excess of ten years of relevant business experience. The firm's internal structure and work approach are designed around its unusual staff composition of senior professionals. ZC staff professionals do not have titles; the title principal at ZC is a legal distinction, not a distinction of professional proficiency. Individual staff members are assigned project manager or project staff roles, to bring to bear their particular talents and experience in view of the specific requirements of the engagement. ZC provides high value for its fees, efficiently leveraging its experienced professionals by directing client personnel to perform routine tasks.

Leonard LoBiondo, CPA, CIRA, the principal in charge of this engagement, has over 18 years of experience, including 14 years advising troubled companies. A graduate of Villanova University, Mr. LoBiondo has significant experience in developing and implementing solutions for companies facing operational or financial problems. Mr. LoBiondo is responsible for the overall direction of the engagement team. Mr. LoBiondo is assisted by William Murphy. Mr. Murphy is responsible for all aspects of engagement administration, coordination of the efforts of the assigned staff and strategic analysis of the Debtors' business operations. A CPA, Mr. Murphy has 21 of years of experience, including 14 years advising troubled companies.

Integral to any team approach, and essential to minimize misunderstandings and assure continuity of service in a large, multifaceted case such as this one, are conferences, meetings and worksessions among the members of the engagement team. Ongoing communications and review of work product facilitate the sharing of information and assure continued alignment with

established priorities and objectives, thereby reducing the time expended and avoiding duplicative efforts. ZC communicates continually with its clients on the status and results of its work efforts and interfaces with other professionals to improve coordination and ensure that it does not duplicate services rendered by other professionals retained in the case.

Summary of Services Provided and Results Achieved

15. The Debtors have successfully emerged from a Chapter 11 as a \$350 million music distributor expected to generate in excess of \$15 million of operating cash flow in 1999 (an improvement of more than \$30 million over their recurring prepetition operating cash flow of the surviving business prior to the restructuring and reorganizations). It should be noted that, to the best of our knowledge, there has never been a successful reorganization of a full service one stop music distributor prior to this case. The Debtors accomplished the successful consensual reorganization in just 13 months, preserving the jobs for over 600 employees.

At the time of the Filing, the Debtors had a tremendous amount of work to accomplish, including:

- Stabilizing the business during the period immediately following the Filing;
- Assuring that the operations continued to function with minimal interruptions due to the Filing;
- Obtaining credit to finance operations;
- Developing and implementing a plan for returning the business to profitability; and
- Developing and negotiating a Plan of Reorganization with its creditors, a group having widely different interests.

Prior to this particular Chapter 11 case no other music one stop had emerged from Chapter 11. The Company required a significant amount of financing to continue its business. The trade creditors, as a group, and the DIP lenders indicated that they would not provide the Debtors with financing until 1) a long term business plan was given to them and 2) they understood the

framework of a potential plan of reorganization. In addition, the customer base was believed to be sensitive to a prolonged Chapter 11.

The Debtors were able to complete the operational turnaround and a consensual plan of reorganization because of ZC's direction, assistance, creativity, organization, and dogged focus on a single goal to exit Chapter 11 by mid-summer with a strong core business.

ZC's efforts were instrumental in:

- Stabilizing the business immediately following the filing;
- Determining the critical core business to reorganize around, including closing or consolidating of over 13 locations into the current Florida facility;
- Preparing the detailed business plan and long term Strategic Plan which became the basis for the reorganization;
- Obtaining the necessary financing to continue the business, including:
 - Establishing a \$50 million DIP Financing Facility;
 - Establishing over \$20 million of trade credit through Section 546(g)* of the Bankruptcy Code
 - Obtaining post confirmation trade credit, and;
 - Obtaining a \$75 million exit financing for the ongoing core business.

The overall contribution that ZC made to this successful chapter 11 case was to provide the steady and singular focus towards the ultimate goal of the approval of a consensual plan of reorganization by July/August 1998.

During the Application Period, ZC provided the following core services to the Debtors during this successful 13 month reorganization: 1) Planning and executing the Bankruptcy filing; 2) Obtaining DIP Financing; 3) Organizing the Debtors' business planning process; 4) Assisting the Debtors identify operational deficiencies in their core businesses and develop tactics to fix these deficiencies and restructure the business; 5) Assisting the Debtor with the analysis of planning for the divesting or liquidating non-core businesses; 6) Developing and negotiating a

Plan of Reorganization and Disclosure Statement, and; 7) Obtaining post-confirmation financing on the most favorable terms possible.

Below is a list of the major projects addressed by ZC during this Application Period with the hours and fees allocated by project:

<u>Project#</u>	<u>Project</u>	<u>Application Period</u> <u>Time (Hrs)</u>	<u>Fees</u>
1	Chapter 11 Process	567.9	\$14,400.00
2	Business Operations	2,293.2	66,796.00
3	Case Activities and Communicating with Constituencies	1,264.5	38,435.00
4	Business Plan Development	1,720.3	48,548.00
5	POR Development	647.5	18,525.00
6	Cash Management	873.2	22,403.00
7	Court Hearings and Testimony	110.9	3,267.00
8	Executory Contracts	0.0	0.00
9	Claims Administration	96.0	2,880.00
10	Financing	406.6	13,798.00
11	Accounting, Auditing And Tax Issues	0.0	0.00
12	Valuation	8.7	261.00
13	Asset Dispositions and Liquidation Analyses	558.7	16,761.00
14	Litigation and Relief From Stay Proceedings	0.0	0.00
15	Special Projects	63.9	2,004.00
16	Engagement Administration	<u>500.2</u>	<u>9,004.00</u>
	Total	<u>9,111.6</u>	<u>\$2,563,214.50</u>

A detailed description of ZC's effort's is provided by Project in the following pages.

Project #1 – Chapter 11 Process (5.7% of ZC total fees): At the outset of these cases, ZC developed a comprehensive workplan and timeline of the various chapter 11 activities that enabled the Debtors to resolve issues on a timely basis. The plan, which served as the blueprint for the reorganization, was presented to the Court at a status conference around the third month after the retention date. Any changes to the workplan were few and minimal in scope. The workplan detailed the functional steps the Debtors' were required to perform such as closing the books, canceling checks, freezing pre-petition payable accounts, establishing new post-petition payable accounts, and other activities required on the filing date. ZC's activities in this project

area consisted of advising and assisting the Debtors with the organization and management of its resources to effectively and efficiently manage the Chapter 11 process. ZC's assistance with planning various Bankruptcy related matters allowed the Debtors' to deal expediently with these issues and maintain concentration on reorganizing the business, which proved critical to the ultimate success of the Debtors' consensual Plan of Reorganization.

During the first 45 days after the Chapter 11 period, ZC guided and assisted the Debtor with the stabilization of the businesses affected by the Filing. In addition, ZC assisted the Debtor: 1) negotiate with the Banks and Major Creditors to establish an initial \$20 million line of trade credit through section 546(g)* of the Bankruptcy Code, and; 2) coordinated communications between the Debtors' management and the various financial advisors to the creditor constituencies. The results of ZC's assistance in this process was to enable the Debtors' to have a "smooth landing" into Chapter 11 and shift focus onto restructuring operations and preparing a comprehensive business plan.

Later in the Application Period, ZC worked closely with management to plan and execute the Management Compensation Reduction and Incentive Plan, which was approved by the Court on January 27, 1998. In total, the final Management Compensation Reduction and Incentive Plan provides for a reduction of approximately \$1.2 million on an annual basis in base compensation to Alliance executives.

ZC personnel also provided direction and assistance with the drafting of the operating directives and press releases that were distributed to managers and outside parties. ZC was also highly involved in assisting the Debtors' communications with counsel regarding preparation of first day motions and orders submitted to the Bankruptcy Court, and in communications with employees at operating locations throughout the country.

Project #2 – Business Operations: (26.1% of ZC total fees): The Debtors were able to complete the operational turnaround and a consensual plan of reorganization because of ZC's direction, assistance, creativity, organization, and dogged focus on the rehabilitation of the business. ZC successfully guided the Debtors' with the analysis of the Debtors' business

operations, organization structure and operating expenses. The results of this process was the development and execution of a turnaround strategy that: 1) rehabilitated the Debtors' businesses and created value for all classes of creditors; 2) restructured the operations to create a \$350 million music distributor expected to generate in excess of \$15 million of operating cash flow in 1999, 3) improved the business' use of its working capital, including increasing inventory turns by over 50% and reducing days outstanding in accounts receivable by over 25%, and 4) formed a viable profitable company that provided a basis for the Debtors' ultimate consensual Plan of Reorganization. Without ZC's assistance, the Debtors' would have been unable to meet these objectives.

ZC's efforts in this area included three primary activities: 1) meetings and work sessions with management; 2) analysis and development of operating reports and studies; and 3) design and implementation of the strategic initiatives for operational improvements and cost reductions.

In the process of assisting the Debtors restructure their operations, ZC helped Mr. Weisman identify and form the many teams of operating personnel who would be responsible for creating and then executing the Debtors' turnaround strategy. ZC then assisted Mr. Weisman by being actively involved with every team and helping the team members identify opportunities for improvement, define methods for achieving the improvements, and coordinate their efforts to execute and meet the targeted improvements. ZC personnel then assisted Mr. Weisman with consolidating the recommendation and action steps of the individual operating teams into a single coherent, achievable strategy for the entire Company.

While assisting the Mr. Weisman and the management team with the business planning process, ZC identified and highlighted many significant operating issues at the core One Stop Group distribution business. Among the problems uncovered were:

- Many customer accounts were unprofitable
- One Stop filled many small volume orders
- Customer returns disincentives either did not exist or were ignored
- Freight expense was too high due to failure to recoup reasonable freight charges from customers and low minimum shipment sizes
- Unusually low cooperative advertising levels with suppliers

- Redundant management and other overhead payroll.

ZC assisted management in analysis of these issues in depth, and development of realistic and achievable corrective actions. The actions identified in the restructuring process and described in the 1998-2000 operating plan and the expected impact at their implementation include:

- Approximately \$1.0 million of margin improvement due to the renegotiation or termination of unprofitable customer relationships;
- Approximately \$10.7 million of lower customer returns due to design and implementation of new policies;
- Approximately \$7.0 million of lower freight expenses due to implementation of new freight and expense and reimbursement policies, such as minimal order size and frequency of shipments;
- Approximately \$4.1 million reduction in warehouse expense due to the development and implementation of a warehouse automation plan;
- Approximately \$3.8 million reduction in SG&A salaries and other overhead;

ZC assisted Mr. Weisman and the Debtors in monitoring, on an ongoing basis, the actual performance of the “Core-Businesses” against the Debtors’ Business Plan dated January 30, 1998. This entailed capturing the projected effects of the operational initiatives identified in the Debtors’ business plans and assisting management to implement a process by which it could continually monitor ongoing performance against the 1998 Plan. This process resulted in the successful implementation of the 1998 Plan that provided the basis for the Debtors’ emergence from Chapter 11.

Project #3 - Case Activities and Communicating with Constituencies (15.0% of ZC total fees): The trade creditors as a group and the DIP lenders indicated that they would not provide the Debtors with financing until: 1) a long term business plan was given to them and 2) they understood the framework of a potential plan of reorganization. ZC successfully managed the preparation for and presentations by the Debtors to the many committee and bank meetings.

ZC's efforts in this area allowed the Debtor to keep all the Creditor constituencies fully informed as to the Debtors' progress and this open communication facilitated the fast, consensual nature of the Debtors' confirmed Disclosure Statement and Plan of Reorganization.

ZC outlined for the Court at the status conference held early in the case, the plan to turnaround the business and emerge from Chapter 11. That plan was followed by the Debtors and resulted in the successful consensual plan of reorganization.

ZC assisted the Debtors in maintaining communications with various parties-in-interest including the Bankruptcy Court (the "Court"), the Office of the U.S. Trustee, the Unsecured Creditors Committee (the "Committee"), the Bank, the Unofficial Committee of Secured Vendors (the "Secured Vendors") and their respective professionals.

To facilitate these communications, ZC assisted with coordinating all communications between the Debtors' and the various parties-in-interest. ZC attended and participated in numerous meetings with such parties, assisted in the development of presentations for discussion at such meetings and helped with responses to information requests made by these parties or their retained professionals throughout the Application Period.

Project #4 – Business Plan Development (18.8% of ZC total fees): At the outset of the case the Company was not viable; radical surgery was required to preserve its vital functions. Three months after the petition date, ZC presented a blueprint for the comprehensive reorganization and restructuring of the business. Immediately thereafter, management with ZC's assistance undertook the development of strategic initiatives and planning to restore the business to profitability. Within the two month pre-established planning horizon, the Company delivered a business plan to the various creditor constituencies that reflected the expected impact of the Companies new strategies and planned remedial actions. Based on the results to-date the Company has not found it necessary to develop an alternative plan or modify its performance expectations. Highlights of the plan include: 1) the consolidation of 14 locations into one, 2) the development of actions for gross margin improvement, 3) the action steps required to implement

overhead reduction, and 4) actions steps regarding the implementation of improvements to the warehouse operations.

ZC efforts in this project area were to assist the Debtors identify, plan and document the strategic initiatives required to achieve the financial turnaround and operational restructuring of the Debtors' Businesses. These new initiatives were formally documented in the 1998 Operating Plan, a first draft of which was delivered to creditor constituencies on December 5, 1998 with a subsequent draft and a final version delivered on January 9, 1998 and January 30, 1998, respectively.

ZC assisted Mr. Weisman with identifying the many project team needed to create the Business Plan on a "bottoms-up" basis. ZC then assisted operating managers in every team define realistic, achievable goals for their functional area and translate these goals into specific strategic initiatives.

ZC helped Mr. Weisman review and challenge the strategic initiatives submitted by the various teams and assisted with consolidating the different initiatives into a single, unified Business Plan. The Plan clearly detailed the Debtors' turnaround strategy for review by all parties-in-interest. ZC's assistance and expertise were critical in presenting and explaining the Debtors' Plan to the parties-in-interest and obtaining their ultimate approval for a consensual Plan of Reorganization.

As early as August 1997, ZC began assisting the Debtors with the process of developing a long-term strategic business plan. During several strategic planning work sessions held on or about the first week of September, ZC assisted Mr. Weisman, then Chief Operating Officer, and other senior management in developing a time-line and workplan for the completion of a business plan by the first week of December 1997. The Debtors did not have the luxury of being able to delay the delivery of the strategic business plan for several reasons: the DIP agreement required a plan be delivered as soon as practicable, the major trade vendors indicated that they would require a business plan before they could consider additional credit and other normal trade terms; the Debtors required a substantial capital investment in warehouse automation; any large long-term investment would have to be considered in the context of a long term strategic plan, and the Debtors needed a current business plan to use as a guide for the next year.

During the next three months ZC assisted the Debtors through a strategic planning process. Initially, this process required that the planning teams, assisted by ZC personnel, perform a critical assessment of current business practices and conditions, particularly at the One Stop Group. After assessing the current situation, the Debtors were in a position to articulate a new strategic focus centered on the core distribution businesses and improved operating and financial targets for these core businesses.

Project #5 – POR Development (7.2% of ZC total fees): ZC's efforts culminated in the filing of a Disclosure Statement and Plan on May 20, 1998, as scheduled in the Debtors' workplan that ZC had presented to the Court. A Second Supplemental Disclosure Statement and Plan was filed and approved on June 25, 1998, and the solicitation of parties-in-interest began on July 1, 1998. The Debtors' Third Supplemental Disclosure Statement and Plan of Reorganization was confirmed by the Court on July 30, 1998.

In the early weeks of these cases, ZC led the development of a Plan of Reorganization and Disclosure Statement. In fact, ZC had prepared a draft Elements of a Plan of Reorganization in August 1997, to assist the debtors with a framework for discussions as to likely scenarios for the ultimate Plan of Reorganization.

As the cases progressed, ZC updated the draft Elements of a Plan of Reorganization to reflect changing circumstances, and assisted the Debtors in altering its strategy and assumptions, as required. ZC's activities in this regard served to keep the Debtors continually focused on constructing a feasible, consensual POR. ZC also leveraged the completed Business Plan to assist the Debtors in integrated discussion between senior management, Blackstone and Willkie Farr & Gallagher as to the Debtors' ultimate Plan of Reorganization and Disclosure Statement.

Senior ZC personnel have been involved in every facet of the POR planning process. In particular, they participated in direct negotiations with representatives of the Banks, the Major Creditors, and the Unsecured Creditors.

During the Application Period, ZC assisted the Debtors with the development of and revisions to the draft Elements of a POR Proposal in view of updated claims assumptions and

operating results and provided this document to the Blackstone Group. This updated document, building on assistance previously provided by ZC and leveraging the completed Business Plan, formed the basis for integrated discussion between senior management, Blackstone, and management as to the Debtors' ultimate Plan of Reorganization and Disclosure Statement.

Project #6 – Cash Management (8.8% of ZC total fees): Assisted by ZC's effective planning and direction, executive management maintained rigorous oversight and control expenditures. ZC provided the Debtors with the necessary process and tools to capture and analyze cash flow information on a real-time basis, and throughout the case, ZC assisted the Debtors' in preparing numerous 120 day cash flow forecasts and then monitor actual results against the plan to insure constant liquidity and availability under the Debtors' DIP financing facility. Each of the cash flow forecasts that ZC assisted the Debtors prepare was actively used as control tools by management.

ZC's assistance in this area has caused the Debtors' to adopt a business practice that stresses a rigorous review and analysis of cash flow. As a direct result of ZC's assistance, the Debtors were able to operate their business through the peak holiday season with less than \$20 million of trade credit.

The forecasts were also reconciled to the 1998 Operating Plan so that differences in assumptions could be readily seen by all interested parties. As actual results became available, ZC assisted the Debtors review those results against planned results to identify variances and, if necessary, implement corrective actions so as to preserve as much cash as possible.

ZC also assisted the Debtors develop cash flow scenarios that reasonably demonstrated their ability to meet covenants and requirements established by the potential post-confirmation lenders and trade creditors.

Project #7 – Court Hearings and Testimony (1.5% of ZC total fees):

During the Application period, ZC personnel advised the designated representative of the Debtor at every hearing conducted by the Court.

During the Application Period, ZC provided expert testimony regarding the preliminary and final DIP financing hearings. ZC personnel also attended: 1) Hearing approving the

adequacy of the Second Amended Disclosure Statement and Plan of Reorganization on June 25, 1998; 2) the Third Interim Fee Application Hearing held on July 1, 1998, and; 3) the Confirmation Hearing for the Fourth Amended Disclosure Statement and Plan of Reorganization held on July 30, 1998.

Project #8 – Executory Contracts (0.0% of ZC total fees): ZC did not provide any services in this project area.

Project #9 – Claims Administration (0.7% of ZC total fees): Advised and assisted the Debtors with the development of a claims resolution process including responding to specific claim inquiries and analyzing claims. ZC’s assistance in this area resulted in the claims process being consensual among the various parties-in-interest and not becoming an issue that may have delayed the ultimate confirmation of the Debtors’ Plan of Reorganization. Specifically, ZC assisted with the following activities:

- Performed a detailed analysis of a reclamation claim filed by Polygram, one of OSG’s Major Vendors. ZC analyzed the claim to determine the validity and accuracy of the claim. ZC’s analysis included analysis of OSG’s purchasing, warehouse receipt and inventory records as well as an analysis of the documentation submitted by the vendor.
- ZC assisted the Debtors review the Polygram reclamation claim analysis with Policano & Manzo (“P&M”), and assisted P&M in gathering supporting documentation which was required to conduct a review of the analysis. ZC also provided additional information and support for the reclamation analysis to P&M in response to a subsequent information request related to the analysis.
- ZC assisted the Debtors determine, as accurately as possible, the amount of administrative, priority, and Prepetition claims that were included in the Fourth Amended Disclosure Statement confirmed by the Court on July 30, 1998.

Project #10 – Financing (5.4% of ZC total fees): ZC led the Debtors’ negotiation of a \$50 million DIP facility with the Chase Manhattan Bank. The Debtors were the first music distributor to ever obtain DIP financing, and without which the reorganization of the Debtors’ businesses would not have been possible. The DIP facility provided critical liquidity for the Debtors’ operations.

ZC led the process for the Debtors to plan and negotiation of a \$75 million post-confirmation revolving financing facility with GECC that became effective on August 20, 1998. This facility funded all expenditures detailed in the Fourth Amended Disclosure Statement and Plan of Reorganization that was confirmed by the Court on July 30, 1998. ZC advised the Debtors throughout the process and stressed the need to obtain several potential candidates for the financing to promote a competitive process whereby the Debtors could obtain the most favorable lending terms possible. ZC also assisted the Debtors manage the extensive due diligence process conducted by the potential lenders to proceed on a “fast-track” process to the loan closing.

ZC’s also advised the Debtors regarding their responses to the Banks’ various DIP Loan amendment proposals. Ultimately, the negotiations led to an agreement on the DIP Amendment issue which was approved by the Court on April 1, 1998.

Project #11 – Accounting, Auditing and Tax Issues (0.0% of ZC total fees): ZC did not provide any services in the project area.

Project #12 – Valuation (0.3% of ZC total fees): ZC assisted the Debtors’ with valuation issues arising from the Plan of Reorganization process.

Project #13 – Asset Disposition and Liquidation Analysis (6.3% of ZC total fees): ZC advised the Debtors regarding the closure, liquidation, or other disposition of business lines and facilities. At the filing date, the Debtors were a complex collection of approximately 14

facilities. By the confirmation date, approximately one year after the filing date, ZC had assisted the Debtors consolidate essentially all their administrative and operating functions into the Coral Springs, Florida facility.

The net result of ZC's assistance regarding INDI was the completion of the liquidation within eight months and under budget and the generation of over \$11 million of net proceeds that were paid to the Banks before June 30, 1998.

ZC assisted the Debtors to plan and prepare the extensive analyses of numerous alternative scenarios required to deal with a significant restructuring and to determine the best course of action regarding INDI. Alternatives included continuing business as usual, restructuring and downsizing INDI, folding INDI into OSG, selling INDI as a complete business, or liquidating INDI. Based upon management's analysis, the Board determined in September of 1997 to liquidate INDI, and the liquidation was announced on September 22, 1997.

ZC then assisted management in the development of the workplan for the liquidation, which was delivered on October 23, 1998. This workplan included:

- Developing the estimated timeframe for the liquidation;
- Scheduling the required activities to be performed;
- Assigning activity responsibilities to management;
- Designing revised company policy in dealing with vendors and customers.

ZC was also critical in assisting the Debtors present and communicate the decision to liquidate INDI to the Banks, the Majors, the Official Committee of Unsecured Creditors, and customers.

ZC was critically involved in assisting Mr. Weisman and the Debtors' management analyze and decide upon the closure of the One Stop Group Abbey Road distribution facility in California. ZC highlighted operational areas which would need to be addressed in the closure of Abbey Road:

- Personnel issues related to retention / termination;
- Inventory issues dealing with identifying items which could be 1) returned to vendors; 2) useful to the OSG at the Bassin distribution facility; 3) product that could not be

returned to a vendor and; 4) alternative methods to monetize inventory which could not be returned to vendors;

- Cost and expense issues directly related to the closure.

ZC's efforts in this area lead to management creating a detailed workplan addressing the closure of the Abbey Road facility and a comprehensive budget that allowed close monitoring and supervision of the costs and expenses incurred in the closure process. As a result, the Debtors closed the Abbey Road facility on time and under budget while generating annualized savings in excess of \$2 million per year.

ZC also advised the Debtors as to the disposition of the AEC Corporate Offices and INDI Corporate Offices located in New York City by helping them analyze the economic benefits of rejecting the leases versus entering into subleasing arrangements for the space. The Debtors vacated these unnecessary spaces by May 1, 1998.

ZC continued to assist the Debtor monitor the financial and operational aspects of the INDI liquidation and the closure of the Abbey Road distribution facility to insure that these projects remained on-track and were successfully completed

Project #14 – Litigation and Relief from Stay Proceedings (0.0% of ZC total fees): ZC did not provide any services in this project area.

Project #15 – Special Projects (0.8% of ZC total fees): ZC incurred time assisting the Debtors' responses to Preference Analysis information requests from Chanin & Co ("Chanin") and Policano & Manzo, as the representatives of the Unsecured Creditors and the Banks, respectively. Because of ZC's efforts in this area, the advisors to the Secured lenders and the Unsecured Creditors were able to efficiently and quickly complete their preference analysis so that this issue did not become a point of contention that may have slowed the eventual confirmation of the Debtors' Plan of Reorganization.

As part of this analysis, ZC assisted the Debtors with:

- Design and review of a summary, with full supporting detail, of all payments made to any type of vendor during the 90 days prior to filing;
- Building roll-forwards of the Majors Vendors prepetition liabilities for the 90 days prior to filing.
- Reviewing, organizing, and distributing voluminous amounts of supporting data to P&M, Chanin, and Michael Bloom, serving as advisor to the Unofficial Committee of Secured Vendors.
- Clarifying issues and difficulties as they arose with the professionals for the Banks, Unsecured Creditors Committee, and Major Vendors.

Project #16– Engagement Administration (3.6% of ZC total fees): During the Application Period, ZC staff members performed the following activities related to the administration of this engagement:

- Prepared a Final Fee Application and three Interim Fee Applications pursuant to the administrative order of this Court and the guidelines established by the Bankruptcy Court in the Southern District of New York;
- Pursuant to the Order Establishing Budget and Interim Compensation Procedures for Court Appointed Professionals and Committee Members, dated November 24, 1997, ZC professionals expended time preparing four separate Budget Proposals;
- Additionally, ZC incurred fees associated with adhering to the administrative order of this Court and the guidelines established by the Bankruptcy Court in the Southern District of New York in preparing detailed time and expense descriptions.

Summary of Accomplishments

16. As a result of ZC’s commitment and assistance during the Application Period, the Debtors have successfully emerged from a Chapter 11 as a \$350 million music distributor expected to generate in excess of \$15 million of operating cash flow in 1999 (an improvement in excess of \$30 million from their prepetition operating cash flow of the surviving business prior to the

restructuring and reorganizations). The Debtors accomplished the successful reorganization in 13 months, saving the jobs for over 600 employees. To the best of our knowledge, there has never been a successful reorganization of a full service one stop distributor prior to this case. Mr. Weisman and other members of senior management prepared and distributed a Plan of Reorganization to all parties-in-interest and other potential equity investors, and effectively organized and managed their resources during the Chapter 11 process. ZC assisted the Debtors execute extensions of the 546(g)* cap from \$20 million to over \$31 million of allowable 546(g)* returns to major vendors for credit, renegotiate the covenants to its revolving DIP credit facility, effectively consolidate distribution operations into the Coral Springs facility with the closure of Abbey Road, and obtain a \$75 million exit financing facility. Most importantly, ZC assisted the Debtor in meeting or exceeding the monthly financial results contained in the Debtors' 1998 Business Plan dated January 30, 1998. The culmination of ZC's assistance and advice to the Debtors was the successful confirmation of the Debtors' Disclosure Statement and Plan of Reorganization on July 30, 1998 and the Debtors emergence from Chapter 11 on August 20, 1998 with a strong core business.

Compensation Sought

17. In view of the substantial assistance provided at a sustained, intensive level necessitated by the circumstances which precluded other employment, the results achieved, the deadlines met, the value added, the requirement for ZC to finance its deferred unpaid compensation, ZC requests that it be awarded a final allowance of compensation for professional services rendered in the sum of \$2,580,214.50, and for actual and necessary out-of-pocket expenses incurred in the sum of \$168,342.52, for a total amount of \$2,748,557.02.

The Debtor has paid ZC during the period from July 14, 1997 through August 20, 1998 \$1,582,209.90 of professional fees invoiced and \$134,706.52 of out-of-pocket expenses incurred, \$1,716,916.42 in total. The unpaid balance of \$1,031,640.60 consists of \$535,773.60 representing professional fees held back during the Application Period, \$462,231.00 for unpaid fees and \$33,636.00 for unpaid expenses.

WHEREFORE, ZC respectfully requests that it be granted a final allowance of compensation of 100% of fees and expenses for professional services rendered as Special Financial and Bankruptcy Advisors to the Debtors during the period July 14, 1997 through and including August 20, 1998 in the sum of \$2,748,557.02 for fees and expenses, and such other compensation the Court may award. ZC respectfully requests that the Bankruptcy Court order a final payment of \$1,031,640.60 for the outstanding professional fees and out-of-pocket expenses.

Dated: October 3, 1998

New York, New York

/s/ Leonard LoBiondo

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Rosalind S. Clarke-Padgett
Notary Public, State of New York
No. 31-4971282
Qualified in New York County
Commission Expires 10/20/1999

/s/ Rosalind S. Clarke-Padgett
Notary Public