

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

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In Re:	:	Chapter 11
	:	
Lernout & Hauspie	:	
Speech Products N.V., <u>et al.</u> ,	:	Case Nos. 00-4397 (JHW)
	:	through 00-4399 (JHW)
	:	(Jointly Administered)
	:	
Debtors	:	Honorable Judge Judith H. Wizmur
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**COVER SHEET FOR APPLICATION FOR
PROFESSIONAL COMPENSATION**

Name of Applicant:	Houlihan Lokey Howard & Zukin Capital ("Houlihan Lokey" or "Houlihan")
Authorized to Provide Professional Services to:	The Official Committee of Unsecured Creditors of Lernout & Hauspie Speech Products N.V., and L&H Holdings USA, Inc. (the "L&H Committee")
Date of Order Authorizing Employment:	May 9, 2001
Period for Which Compensation is Sought:	January 19, 2001 through February 28, 2001
Amount of Fees Sought:	\$41,613
Amount of Expense Reimbursement Sought:	\$2,518
This is a (n):	<input type="checkbox"/> Interim Application <input checked="" type="checkbox"/> Final Application

The total time expended for the preparation of this application was approximately 10 hours.

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	:	(Jointly Administered)
	:	
Debtors	:	Honorable Judge Judith H. Wizmur
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**FIRST AND FINAL APPLICATION OF HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL
FOR ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF EXPENSES OF THE
UNSECURED CREDITORS OF DICTAPHONE CORPORATION**

TO THE HONORABLE JUDITH H. WIZMUR,
UNITED STATES DISTRICT JUDGE:

This First and Final Application (the "Final Application") of Houlihan Lokey Howard & Zukin Capital ("Houlihan Lokey" or "Houlihan") as financial advisor to the Official Committee of Unsecured Creditors of Lernout & Hauspie Speech Products N.V. and L&H Holdings USA, Inc. ("L&H Committee") for allowance of final compensation and reimbursement of out-of-pocket expenses for financial advisory services rendered to the unsecured creditors of Dictaphone Corporation (the "Dictaphone Unsecured Creditors") from January 19, 2001 through February 28, 2001 (the "Application Period"), respectively represents:

INTRODUCTION

1. By this First and Final Application, Houlihan Lokey requests an order, pursuant to Sections 328 and 331 of Title 11, United States Code (the "Bankruptcy Code") and Rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), allowing the amounts requested herein as compensation for professional services rendered and reimbursement of out-of-pocket expenses incurred, as financial advisor to the Dictaphone Unsecured Creditors during the Application Period.

RETENTION OF HOULIHAN LOKEY

2. On November 28, 2000 (the "Filing Date"), the Debtors herein filed a petition for a reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Court") and commenced the Debtors' jointly administered cases (collectively, the "Case").
3. On December 13, 2000, the United States Trustee formed the Official Committee of Unsecured Creditors of all the three Debtors (the "Joint Committee"), consisting of the following nine members: KBC Bank, Fortis Financial Services ("Fortis"), Deutsche Bank, State Street Bank & Trust Company ("State Street"), U.S. Trust Company of New York ("US Trust"), Merrill Lynch Corporate Bond Fund, Inc. – High Income Portfolio ("Merrill"), Wilmington Trust Company ("WTC"), JVC Americas Corp. ("JVC"), and Studio Tognini.
4. On January 18, 2001, the Joint Committee interviewed four financial advisors and selected Houlihan to serve as financial advisor to the Joint Committee pursuant to section 1103 (a) of the Bankruptcy Code.
5. An application for Houlihan's retention on behalf of the Joint Committee was first filed and served on February 20, 2001 (the "First Application"). An order authorizing the Joint Committee's retention of Houlihan was never entered.
6. On February 28, 2001, the United States Trustee formed a separate committee of unsecured creditors of Dictaphone Corporation (the "Official Dictaphone Committee") and reformed the Joint Committee to include only the unsecured creditors of L&H Holdings and L&H N.V., or the L&H Committee. The Official Dictaphone Committee consists of Merrill, Deutsche Bank, JVC, Consec Capital Management, Inc. ("Consec") and Magten Asset Management Corp. ("Magten").
7. Because the L&H Committee and the Official Dictaphone Committee were formed on February 28, 2001, Houlihan determined to enter into a revised letter agreement (the "Second Letter Agreement") with the L&H Committee for Houlihan's retention.

8. On April 2, 2001, the L&H Committee filed an amended application to retain Houlihan Lokey as financial advisor for the L&H Committee (the "Retention Application") pursuant to the terms of a certain amended retainer agreement dated as of March 27, 2001 between Houlihan Lokey and the L&H Committee (the "Retainer Agreement"). In the Retention Application, the L&H Committee sought authority to employ Houlihan Lokey as its financial advisor pursuant to sections 328 (a) and 1103 of the Bankruptcy Code, 11 U.S.C. §101-1330 (the "Bankruptcy Code"), and Rule 2014 of the Bankruptcy Rules, nunc pro tunc, as of January 19, 2001. The Bankruptcy Court has entered the Order approving the Retention Application (the "Retention Order") on May 9, 2001 as stated by the Bankruptcy Court at the hearing held on May 8, 2001. A copy of the Amended Retention Application, Amended Retainer Agreement and Retention Order are attached as Exhibit A.
9. The Amended Application was filed to ensure that Houlihan's retention is limited to acting on behalf of the L&H Committee and Houlihan's reimbursement for its expenses and services will be limited based upon such representation. Prior to this Amended Application, however, it was agreed that 20% of fees and reimbursable expenses invoiced to the Joint Committee would be allocated to the Dictaphone Unsecured Creditors.
10. The Retainer Agreement, although effectuated after the formation of the Official Dictaphone Committee, recognizes Houlihan's services and fees to the Joint Committee beginning as of January 19, 2001. The Retainer Agreement provides, among other things, for the payment of advisory fees to Houlihan Lokey, subject to Court approval, for services rendered during the pendency of this Case of \$150,000 commencing as of January 19, 2001 (the "Monthly Fees") and reasonable and documented out-of-pocket expenses that were incurred by Houlihan Lokey in connection with the services provided on the Joint Committee's behalf. As discussed previously, between the period of January 19, 2001 and the separation of the Joint Committee on February 28, 2001, the Dictaphone Unsecured Creditors were responsible for 20% of Houlihan's fees and out-of-pocket expenses assigned to the Joint Committee, representing \$41,613 and \$2,518, respectively.

PRIOR INTERIM ALLOWANCES

11. On January 4, 2001 this Court approved an order (the "Interim Compensation Order"), which was subsequently amended on April 10, 2001 (the "Amended Interim Compensation Order"), which established procedures for interim compensation for services rendered by professionals in this Case.
12. Although Houlihan Lokey has not filed an interim application for the allowance of compensation and reimbursement of expenses for the Dictaphone Unsecured Creditors alone, Houlihan has filed an interim application (the "First Application") for allowance of compensation and reimbursement of expenses for the Joint Committee on May 25, 2001, for \$358,064 and \$18,590, respectively, for the period January 19, 2001 through March 31, 2001, which includes the fees and expenses allocated to the Dictaphone Unsecured Creditors. On June 15, 2001, the Court approved the First Application in its entirety. On July 9, 2001, Houlihan Lokey received payment of \$166,451, which corresponded to 80% of fees, and \$14,905, which represented 100% of out-of-pocket expenses, for services rendered from January 19, 2001 through February 28, 2001. On October 9, 2001, Houlihan Lokey received payment of \$120,000, which corresponded to 80% of fees, and \$3,685, which represented 100% of out-of-pocket expenses, for services rendered from March 1, 2001 through March 31, 2001.
13. Pursuant to the Second Amended Administrative Order, which establishes procedures for interim compensation and reimbursement, Houlihan Lokey appeared before the Court on October 29, 2001 to witness the review and approval of the Application for interim allowance of compensation. As a result of the hearing, Houlihan Lokey sought on November 9, 2001, the remaining balance of \$71,613, representing the 20% holdbacks for the period January 19, 2001 through March 31, 2001. In keeping with voluntary deductions made to reimbursable expenses, the L&H Committee was invoiced for \$68,435, which corresponded to \$71,613 in holdbacks less \$3,178 for credits during the period of January 19, 2001 through March 31, 2001.

PROFESSIONAL SERVICES RENDERED DURING THE APPLICATION PERIOD

14. Houlihan Lokey had been selected by the Joint Committee because of its extensive knowledge and reputation in the restructuring field, because of its familiarity with the issues involved in the Case and because the Joint Committee believed that Houlihan Lokey possessed the requisite resources and qualifications to represent the committee in the Case.
15. The services that Houlihan Lokey has been required to perform and has performed have been substantial and necessary in the Case. Houlihan Lokey has attempted to perform such services with the minimum amount of duplication with the Joint Committee and its legal counsel.
16. Throughout the duration of Houlihan Lokey's pendent retention as advisor to the Joint Committee, Houlihan Lokey staffed the engagement consistent with the committee's objectives and in a manner that provided for thorough and efficient representation of the interests of the Joint Committee. David R. Hilty, an officer of Houlihan Lokey, in this Case has supervised Houlihan Lokey's activities, on a day-to-day basis. Throughout the Application Period, the following professionals have provided services: Jeffrey I. Werbalowsky, Senior Managing Director; David R. Hilty, Managing Director; Lily Chu, Vice President; Joseph Swanson, Vice President; Barry E. Silbert, Associate; and Paul T. Hooper, Financial Analyst.
17. During the time period covered by this Application, Houlihan Lokey worked extensively with the Joint Committee, other professionals retained by the Joint Committee, and other parties-in-interest in the Case.

DISBURSEMENTS

18. Attached hereto and made a part hereof as Exhibit B is a summary of the out-of-pocket expenses of \$2,518 allocated to the Dictaphone Unsecured Creditors as incurred by Houlihan Lokey in connection with its services on behalf of the Joint Committee. These out-of-pocket expenses consist of expenses incurred strictly during the Application Period.

19. WHEREFORE, HOULIHAN LOKEY HOWARD & ZUKIN CAPITAL respectfully requests that this Court enter an order awarding and approving the first and final allowance of compensation in the amounts set forth below and as indicated in the attached Affidavit (Exhibit C) of David R. Hilty, an officer of the firm, and provide such other further relief as may be just and equitable.

Professional Fees Requested	\$41,613
Out-of-Pocket Expenses	<u>\$2,518</u>
Total Fees and Expenses to be Awarded	<u>\$44,131</u>

Dated: New York, NY
May 24, 2002
Houlihan Lokey Howard & Zukin Capital
685 Third Avenue, 15th Floor
New York, NY 10017

By



David R. Hilty
Managing Director
Houlihan Lokey Howard & Zukin Capital