**Hearing Date and Time: September 17, 2008, at 10:00 a.m. Eastern time**
**Objection Deadline: September 10, 2008 at 5:00 p.m. Eastern time**

**UNITED STATES BANKRUPTCY COURT**
**SOUTHERN DISTRICT OF NEW YORK**

| | | |
|---|---|---|
| In re | ) | Chapter 11 |
| Ziff Davis Media Inc., *et al.*,[1] | ) | Case No. 08-10768 (BRL) |
| Debtors. | ) | (Jointly Administered) |

**SUMMARY SHEET PURSUANT TO THE UNITED STATES TRUSTEE GUIDELINES FOR REVIEWING APPLICATIONS FOR COMPENSATION AND REIMBURSEMENT OF EXPENSES**

| | |
|---|---|
| **Name of Applicant:** | Alvarez & Marsal North America, LLC |
| **Authorized to Provide Professional Services to:** | Debtors and Debtors in Possession |
| **Role in these Cases:** | Restructuring Advisor and Financial Advisor to the Debtors and Debtors in Possession |
| **Date of Retention:** | March 31, 2008, *nunc pro tunc* to March 5, 2008 |
| **Period for Which Compensation and Reimbursement Is Sought:** | March 6, 2008, through June 30, 2008 |
| **Amount of Fees Sought in This Final Application:** | $2,007,704.50 |
| **Amount of Expense Reimbursement Sought in this Final Application:** | $3,914.15 |

This is Alvarez & Marsal North America, LLC's ("A&M") first and final application for compensation and expense reimbursement in these chapter 11 cases.

[1] The Reorganized Debtors in these cases are: Ziff Davis Media Inc.; Ziff Davis Holdings Inc.; Ziff Davis Internet Inc.; Ziff Davis Publishing Inc.; and Ziff Davis Publishing Holdings Inc.

I. Summary of A&M's Monthly Fee Statements:

Pursuant to the Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals and Members of Official Committees [Docket No. 117] (the "Interim Compensation Order"), A&M has served monthly fee statements on the Notice Parties (as defined therein) as follows:

| | | Amounts Requested | | Provisional Payments Received | |
|---|---|---|---|---|---|
| **Date Served** | **Period Covered** | **Fees** | **Expenses** | **Fees** | **Expenses** |
| 4/24 | 3/6 – 3/31 | Hourly: $185,521.00<br>Monthly: $75,000.00<br>**Total:** $260,521.00 | $253.84 | $208,416.80 | $253.84 |
| 5/19 | 4/1 – 4/30 | Hourly: $402,909.50<br>Monthly: $75,000.00<br>**Total:** $477,909.50 | $2,077.49 | $382,327.60 | $2,077.49 |
| 7/18 | 5/1 – 6/30 | Hourly: $41,774.00<br>Monthly: $130,000.00<br>**Total:** $171,774.00 | $1,582.82 | $137,419.20 | $1,582.82 |
| **TOTAL** | | **$910,204.50** | **$3,914.15** | **$725,163.60** | **$3,914.15** |

II. Summary of Hourly Fees Requested (Restructuring Consulting Services):

| Description | Amount Requested |
|---|---|
| March Hourly Fees: | $185,521.00 |
| April Hourly Fees: | $402,909.50 |
| May Hourly Fees: | $38,688.50 |
| June Hourly Fees: | $3,085.50 |
| **TOTAL HOURLY FEES:** | **$630,204.50** |

III. Summary of Hourly Fees by Professional:

| Name and Title of Restructuring Professional | Total Hours Billed | Hourly Rate | Total Fees |
|---|---|---|---|
| **MANAGING DIRECTORS** | | | |
| JOSEPH BONDI | 103.8 | $690.00 | $71,622.00 |
| AL LAKHANI | 10.4 | $650.00 | $6,760.00 |
| JULIE HERTZBERG | 26.5 | $470.00 | $12,455.00 |
| | | | |
| **DIRECTORS / MANAGERS** | | | |
| BRETT RHEDER | 15.0 | $475.00 | $7,125.00 |
| RICHARD MIZAK | 444.2 | $475.00 | $210,995.00 |
| KATHY SWEETLAND | 58.1 | $400.00 | $23,240.00 |
| PAUL KINEALY | 4.9 | $330.00 | $1,617.00 |
| MARK ZEISS | 13.7 | $290.00 | $3,973.00 |
| | | | |

| Name and Title of Restructuring Professional | Total Hours Billed | Hourly Rate | Total Fees |
|---|---|---|---|
| **ASSOCIATES** | | | |
| KRISTEN ZAVO | 406.3 | $375.00 | $152,362.50 |
| CRAIG EVANS | 1.0 | $350.00 | $350.00 |
| DARA BADGER | 23.8 | $350.00 | $8,330.00 |
| JOHN deCRAEN | 21.0 | $350.00 | $7,350.00 |
| DIPESH PATEL | 16.0 | $350.00 | $5,600.00 |
| JONATHAN SCHEFFRAHN | 0.4 | $350.00 | $140.00 |
| LOUIS MARTIN | 3.1 | $300.00 | $930.00 |
| | | | |
| **CONSULTANTS** | | | |
| KEVIN LARIN | 223.6 | $290.00 | $64,844.00 |
| MATTHEW WILLIAMS | 9.5 | $270.00 | $2,565.00 |
| MARY LOU CABADAS | 131.8 | $250.00 | $32,950.00 |
| JAMIE STROHL | 3.9 | $230.00 | $897.00 |
| | | | |
| **ANALYSTS** | | | |
| ANASTASIYA PSHENICHNAYA | 0.6 | $230.00 | $138.00 |
| NICHOLAS STEVENS | 55.7 | $230.00 | $12,811.00 |
| MARY NAPOLIELLO | 18.0 | $175.00 | $3,150.00 |
| **TOTAL** | **1,591.3** | | **$630,204.50** |

**TOTAL BLENDED HOURLY RATE: $396.03**

IV. Summary of Monthly Fees Requested (Corporate Finance Services):

| Description | Amount Requested |
|---|---|
| March Monthly Fee: | $75,000.00 |
| April Monthly Fee: | $75,000.00 |
| May Monthly Fee: | $75,000.00 |
| June Monthly Fee:[2] | $55,000.00 |
| **TOTAL MONTHLY FEES:** | **$280,000.00** |

V. Restructuring Fee:

Pursuant to the Retention Order and the Engagement Letter, A&M is entitled to a Restructuring Fee in the amount of $1,097,500.00 ($1,500,000.00 less $402,500.00 which amount is 50% of the Monthly Fees incurred during the period from the start of the engagement through June 30, 2008).[3]

[2] This amount is prorated for the period from June 9, 2008 through June 30, 2008.

[3] Capitalized terms used in this paragraph have the meanings ascribed to them in the Application.

VI. Summary of Expense Reimbursement Requested:

| Month | Amount |
|---|---|
| March Expenses: | $253.84 |
| April Expenses: | $2,077.49 |
| May Expenses: | $1,315.05 |
| June Expenses: | $267.77 |
| **TOTAL EXPENSE REIMBURSEMENT:** | **$3,914.15** |

VII. Summary of Total Fees and Expense Reimbursement Requested:

| | |
|---|---|
| Hourly Fees: | $630,204.50 |
| Monthly Fees: | $280,000.00 |
| Restructuring Fee: | $1,097,500.00 |
| Expense Reimbursement: | $3,914.15 |
| **TOTAL AMOUNT REQUESTED** | **$2,011,618.65** |

The aggregate amount of interim fees and expenses paid to A&M to date for services rendered and expenses incurred during the Application Period is $729,077.75.

Dated: August 15, 2008
New York, New York

/s/ Richard J. Mizak

Richard J. Mizak
ALVAREZ & MARSAL NORTH AMERICA, LLC
600 Lexington Avenue, 7th Floor
New York, New York 10022
Telephone: (212) 759-4433
Facsimile: (212) 759-5532

**Hearing Date and Time: September 17, 2008, at 10:00 a.m. Eastern time**
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**UNITED STATES BANKRUPTCY COURT**
**SOUTHERN DISTRICT OF NEW YORK**

| | | |
|---|---|---|
| In re | ) | Chapter 11 |
| Ziff Davis Media Inc., *et al.*,[1] | ) | Case No. 08-10768 (BRL) |
| Debtors. | ) | (Jointly Administered) |

**FINAL APPLICATION OF ALVAREZ & MARSAL NORTH AMERICA, LLC, RESTRUCTURING ADVISOR AND FINANCIAL ADVISOR TO THE DEBTORS, FOR ALLOWANCE OF COMPENSATION AND REIMBURSEMENT OF EXPENSES FOR THE PERIOD FROM MARCH 6, 2008 THROUGH AND INCLUDING JUNE 30, 2008**

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

Alvarez & Marsal North America, LLC ("A&M"), restructuring advisor and financial advisor to reorganized Ziff Davis Media Inc. and its affiliates that were debtors and debtors in possession (collectively, the "Debtors") in the above-captioned chapter 11 cases, pursuant to sections 328 and 330 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq*. (the "Bankruptcy Code"), Rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), United States Bankruptcy Court for the Southern District of New York General Order M-151 and the Amended Guidelines for Fees and Disbursements for Professionals in Southern District of New York Bankruptcy Cases (collectively, the "Local Guidelines") and the United States Trustee Guidelines for Reviewing Applications for Compensation and the Reimbursement of Expenses Filed under 11 U.S.C. § 330 effective January 30, 1996, 28 C.F.R. 58 (the "UST Guidelines," and together with the Local Guidelines, the "Guidelines") hereby submits this final application (this "Application") for allowance of compensation and fees for services rendered

[1] The Reorganized Debtors in these cases are: Ziff Davis Media Inc.; Ziff Davis Holdings Inc.; Ziff Davis Internet Inc.; Ziff Davis Publishing Inc.; and Ziff Davis Publishing Holdings Inc.

and reimbursement of expenses incurred for the period March 6, 2008 through and including June 30, 2008 (the "Application Period"). A&M respectfully requests that the Court enter an order awarding A&M final compensation in the amount of $2,007,704.50 for professional services rendered and $3,914.15 for ordinary and necessary expenses incurred during the Application Period. In support of the foregoing request, A&M respectfully states as follows:

**Preliminary Statement**

1. The Debtors and their management, with the assistance of their professionals, substantially de-leveraged their balance sheet and formulated and confirmed a consensual chapter 11 plan of reorganization in less than four months. The expedited and consensual nature of these cases preserved millions of dollars in value for the benefit of the Debtors' creditors. In addition, the Debtors' reorganization converted approximately $429 million in bond debt (both secured and unsecured) into equity in the reorganized Debtors and into a $57.5 million new secured note. As a result of these efforts, the Debtors have emerged from chapter 11 with 86% less debt, streamlined operations, less onerous contracts and leases, and a much stronger balance sheet. In short, these chapter 11 cases created a stronger and healthier company well-positioned for future growth and for vigorous competition within the media industry. A financially-stable reorganized Ziff Davis Media will benefit the Debtors' employees, vendors, customers and prepetition creditors that now hold equity in the reorganized company.

2. As the Debtors' restructuring and financial advisor, A&M played a significant role in the Debtors' successful reorganization. A&M, together with the Debtors' bankruptcy counsel Winston & Strawn LLP ("Winston"), assisted the Debtors in navigating the chapter 11 process and in the implementation of a successful reorganization strategy. The Debtors retained A&M's restructuring group to render restructuring-specific services to the Debtors and retained

A&M's corporate finance group to render finance-related services to the Debtors. A&M's restructuring group's contributions to the Debtors' reorganization included, without limitation, assisting the Debtors in:

a. preparing their schedules of assets and liabilities and statements of financial affairs;

b. evaluating their liquidity and preparing rolling 13-week cash flow forecasts;

c. preparing financial reports and interfacing with the various creditor constituencies and their professionals; and

d. preparing the liquidation analysis, financial projections and other financial data for the Disclosure Statement.[2]

3. A&M's corporate finance group's contributions to the Debtors' reorganization included, without limitation, assisting the Debtors in:

a. evaluating their business plan for their ongoing operations, developing projections and forecasts, and analyzing capital and funding requirements;

b. negotiating the terms of the New Management Incentive Plan, the cash collateral budget, the New Senior Secured Note, the Cash Funding at Exit and other financial aspects of the Plan;

c. formulating and analyzing various restructuring options (including the Plan);

d. preparing for a contested valuation hearing;

e. negotiating the Plan Support Agreement;

f. negotiating with creditors and other parties-in-interest to obtain their support for the Plan; and

g. preparing a valuation report.

4. A&M's efforts, advice and assistance throughout these chapter 11 cases undoubtedly contributed to the maximization of value for the benefit of the Debtors' creditors

[2] Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Second Amended Joint Chapter 11 Plan of Reorganization dated as of May 6, 2008 (as modified and confirmed, the "Plan").

and estates.

**Jurisdiction**

5. The Court has jurisdiction over this Application pursuant to 28 U.S.C. § 1334. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This Application is a core proceeding pursuant to 28 U.S.C. § 157(b).

6. The statutory and rule-based predicates for the relief requested herein are sections 328 and 330 of the Bankruptcy Code and Bankruptcy Rule 2016.

**Background**

7. On March 5, 2008 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. By an order entered on the Petition Date, the Debtors' chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered.

8. On March 14, 2008, the Office of the United States Trustee for the Southern District of New York (the "U.S. Trustee") appointed the Official Committee of Unsecured Creditors (the "Committee"). Prior to the Petition Date, a majority of the Debtors' senior secured floating rate note holders formed an ad hoc committee (the "Ad Hoc Senior Secured Note Holder Group").

9. Prior to the Petition Date, the Debtors and the Ad Hoc Senior Secured Note Holder Group reached an agreement on the terms of a plan of reorganization. That agreement was incorporated into a Plan Support Agreement by and among the Debtors and the Ad Hoc Senior Secured Note Holder Group dated as of February 29, 2008 (the "February 29 Plan Support Agreement"). The February 29 Plan Support Agreement incorporated a term sheet that set forth the principal terms of the reorganization plan agreed upon between the Debtors and the

Ad Hoc Senior Secured Note Holder Group (the "February 29 Term Sheet").

10. Subsequent to execution of the February 29 Plan Support Agreement and after the Petition Date, the Debtors, the Ad Hoc Senior Secured Note Holder Group, the Committee, the MHR Note Holders, and Willis Stein (the Debtors' majority equity holder) commenced discussions regarding the terms of a consensual plan of reorganization. After extensive negotiations, the parties reached an agreement on a consensual plan of reorganization that would substantially reduce the Debtors' funded indebtedness and de-leverage the Debtors' balance sheet.

11. On April 30, 2008, the Debtors, the Ad Hoc Senior Secured Note Holder Group, the Committee, the MHR Note Holders, and Willis Stein executed the Plan Support Agreement. The Plan Support Agreement incorporates the term sheet, which sets forth the principal terms of a consensual reorganization plan.

12. On May 6, 2008, the Debtors filed the Third Amended Disclosure Statement with respect to the Second Amended Joint Chapter 11 Plan of Reorganization dated as of May 6, 2008 (the "Disclosure Statement") and the Second Amended Joint Chapter 11 Plan of Reorganization dated as of May 6, 2008 (the "May 6 Plan"). The terms of the Plan Support Agreement and term sheet were incorporated into the May 6 Plan.

13. On May 7, 2008, the Court entered an order approving the Disclosure Statement and the proposed solicitation procedures and directing the Debtors to commence solicitation of votes to accept or reject the May 6 Plan.

14. The Debtors' creditors voted overwhelmingly in favor of accepting the May 6 Plan. The confirmation hearing commenced on June 17, 2008. The Court entered an order confirming the Plan (which is the modified version of the May 6 Plan) on June 17, 2008. The

Plan became effective on July 1, 2008.

**Interim Compensation Procedures**

15. On March 31, 2008, the Court entered the Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals and Members of Official Committees [Docket No. 117] (the "Interim Compensation Order"), pursuant to which A&M and other professionals retained in these cases were authorized to file and serve upon the parties identified therein (the "Notice Parties") monthly fee statements or invoices (the "Monthly Fee Statements"). The Notice Parties had fifteen days from the date of service of a Monthly Fee Statement to object to the amounts requested therein. If no objection was filed prior to expiration of the fifteen-day objection period, the Debtors were authorized to pay the respective professional eighty percent (80%) of the fees and one hundred percent (100%) of the expenses sought in the Monthly Fee Statement.

16. In addition to the Monthly Fee Statements, professionals are authorized to seek interim allowance and payment of compensation (including the 20% holdback) and expense reimbursement on a quarterly basis. Pursuant to the Interim Compensation Order, approximately every 120 to 150 days, each professional requesting interim compensation and expense reimbursement must file with the Court and serve on the appropriate parties, an application for approval and allowance of all compensation and expense reimbursement that relates to the previous quarterly fee period.

17. Because these chapter 11 cases were resolved in less than four months, none of the case professionals, including A&M, filed an interim application for compensation and expense reimbursement. Accordingly, this Application is A&M's first and final application for allowance and payment of compensation and expense reimbursement.

## A&M's Retention

18. On March 31, 2008, the Court entered an order authorizing the employment of A&M as the Debtors' restructuring advisor and financial advisor effective as of the Petition Date [Docket No. 116] (the "Retention Order"). The Retention Order authorized the Debtors to retain A&M pursuant to the terms of a letter agreement attached to the Retention Order as Exhibit A (the "Engagement Letter").

19. In addition, the Retention Order: (i) provides that A&M shall receive its hourly fees ("Hourly Fees") relating to its restructuring advisory services, fixed monthly fees ("Monthly Fees") relating to its financial advisory services, a restructuring transaction fee equal to $1,500,000 less 50% of the aggregate amount of monthly fees (the "Restructuring Fee," together with the Hourly Fees and the Monthly Fees, the "Fees"), and reimbursement of its expenses, each of which is not subject to challenge except under the standard of review set forth in section 328(a) of the Bankruptcy Code; and (ii) solely with respect to the U.S. Trustee, provides that the Fees may be challenged under the reasonableness standard provided in section 330 of the Bankruptcy Code.

## A&M's Monthly Fee Statements and Interim Payments Received

20. Pursuant to the Retention Order and the Interim Compensation Order, A&M served the following Monthly Fee Statements during these chapter 11 cases.

***First Monthly Fee Statement***

21. On April 24, 2008, A&M served the First Monthly Statement of Fees and Expenses of Alvarez & Marsal North America, LLC, Restructuring Advisor and Financial Advisor to Debtors, for the period March 6, 2008 through and including March 31, 2008, seeking payment of fees in the amount of $260,521.00 and reimbursement of expenses in the amount of

$253.84. A&M received no objection to this request. Accordingly, pursuant to the Interim Compensation Order, the Debtors paid eighty percent (80%) of the fees requested ($208,416.80) and one hundred percent (100%) of the expense reimbursement requested ($253.84).

***Second Monthly Fee Statement***

22. On May 19, 2008, A&M served the Second Monthly Statement of Fees and Expenses of Alvarez & Marsal North America, LLC, Restructuring Advisor and Financial Advisor to Debtors, for the period April 1, 2008 through and including April 30, 2008, seeking payment of fees in the amount of $477,909.50 and reimbursement of expenses in the amount of $2,077.49. A&M received no objection to this request. Accordingly, pursuant to the Interim Compensation Order, the Debtors paid eighty percent (80%) of the fees requested ($382,327.60) and one hundred percent (100%) of the expense reimbursement requested ($2,077.49).

***Third Monthly Fee Statement***

23. On July 18, 2008, A&M served the Third Monthly Statement of Fees and Expenses of Alvarez & Marsal North America, LLC, Restructuring Advisor and Financial Advisor to the Debtors, for the period May 1, 2008 through and including June 30, 2008, seeking payment of fees in the amount of $171,774.00 and reimbursement of expenses in the amount of $1,582.82. A&M received no objection to this request. Accordingly, pursuant to the Interim Compensation Order, the Debtors paid eighty percent (80%) of the fees requested ($137,419.20) and one hundred percent (100%) of the expense reimbursement requested ($1,582.82).

24. Pursuant to the Interim Compensation Order, A&M has received aggregate payments in the amount of $725,163.60. A&M continues to hold $250,000.00 as a prepetition retainer (the "Retainer"). This Application is A&M's first and final application and seeks allowance and payment of compensation and fees (including the Restructuring Fee) in the

amount of $2,007,704.50 and expense reimbursement in the amount of $3,914.15, all on a final basis.

**A&M's Compliance with the Guidelines**

25. A&M's certification that it has complied with the Local Guidelines is attached hereto as **Exhibit A**. Copies of A&M's Monthly Fee Statements are attached hereto as **Exhibit B**. Each Monthly Fee Statement, with respect to the specified period, sets forth: (a) all A&M restructuring professionals who have performed services during the period on an hourly basis, the capacities in which each such individual is employed by A&M, and the aggregate number of hours expended during the period; (b) summaries by project category of the restructuring services performed by A&M on an hourly basis during the period; (c) detailed time diaries reflecting the specific tasks performed by each A&M professional which relate to services rendered on an hourly basis during the period; (d) invoices for the Monthly Fees which relate to financial services rendered by A&M corporate finance professionals; and (e) detailed descriptions of the actual and necessary expenses incurred by A&M during the period organized by expense category.

**The Circumstances Under Which A&M's Services Were Performed**

26. The Debtors' chapter 11 cases required A&M professionals to address complex restructuring and financial matters within a limited time frame. Prior to the Petition Date, the Debtors' secured bondholders took the position that the Debtors' value was less than the amount of the Debtors' secured bond debt and that unsecured creditors were out of the money. The Debtors' unsecured bondholders disagreed and contended that the Debtors' value was significantly higher than the valuation asserted by the secured bondholders. As a result, the Debtors were forced to prepare for a contested valuation hearing.

27. In addition, prior to the Petition Date, the Debtors entered into a plan support agreement whereby the Debtors were required to confirm a chapter 11 plan of reorganization by July 7, 2008. As a result of the expedited and, at least initially, contested nature of the Debtors' cases, A&M professionals were required to complete a number of tasks within a very short time frame. A&M professionals, together with the Debtors' management and counsel, worked on three tracks: (a) to accomplish the necessary chapter 11 milestones including the preparation of the Debtors' schedules of assets and liabilities and statements of financial affairs and all of the supporting financial analyses relating to the Plan and Disclosure Statement, (b) to negotiate a consensual plan with the Debtors' competing creditor constituencies including the formulation of a business plan and financial projections, and (c) to prepare for a contested valuation hearing including an analysis of the Debtors' enterprise value.

28. As a result of the coordinated efforts of the Debtors' management team, Winston and A&M, the Debtors confirmed a chapter 11 plan in less than four months. The Plan maximizes the recoveries of all of the Debtors' creditors while allowing the Debtors to de-leverage their balance sheet and implement a going-forward business plan. A&M submits that its services were instrumental to the success of these chapter 11 cases.

**The Nature of A&M's Restructuring Services**

29. The following chart summarizes, by task category, A&M's restructuring services rendered on an hourly basis during the Application Period:

| TASK CATEGORY | HOURS BILLED | TOTAL FEES |
|---|---|---|
| CASH MANAGEMENT AND REPORTING | 152.1 | $65,047.50 |
| CLAIMS | 24.5 | $8,545.50 |
| CONTRACTS/LEASES | 18.7 | $9,007.50 |
| ENGAGEMENT MANAGEMENT | 120.0 | $44,887.00 |

| TASK CATEGORY | HOURS BILLED | TOTAL FEES |
|---|---|---|
| INFORMATION REQUESTS | 26.3 | $11,702.50 |
| LEGAL | 176.9 | $75,800.00 |
| MEETINGS | 50.7 | $30,210.00 |
| PLAN AND DISCLOSURE STATEMENT | 93.3 | $47,947.50 |
| REPORTS AND PRESENTATIONS | 34.3 | $14,652.50 |
| RESTRUCTURING ALTERNATIVES | 52.7 | $24,292.50 |
| SOFA AND SCHEDULES | 446.6 | $131,440.00 |
| STRATEGIC/BUSINESS PLAN ANALYSIS | 395.0 | $166,577.00 |
| TAX | 0.2 | $95.00 |
| **TOTAL** | **1,591.3** | **$910,204.50** |

**A. Cash Management and Reporting (Total Hours: 152.1; Total Fees: $65,047.50)**

30. Services rendered by A&M in this category generally include, among other things, preparing the following with respect to the Debtors' use of the secured bondholders' cash collateral: (a) rolling thirteen-week cash flow forecasts; (b) cash flow models; (c) liquidity analyses; and (d) disbursement analyses.

31. In connection with the foregoing services, A&M professionals expended 152.1 hours during the Application Period for which A&M seeks compensation in the amount of $65,047.50. All of the professional services relating to cash management and reporting are set forth in detail, and incorporated herein by reference, in the Monthly Fee Statements and are summarized in the following table:

| PROFESSIONAL | HOURS BILLED | TOTAL FEES |
|---|---|---|
| RICHARD MIZAK | 80.1 | $38,047.50 |
| KRISTEN ZAVO | 72.0 | $27,000.00 |
| **TOTAL** | **152.1** | **$65,047.50** |

**B. Claims (Total Hours: 24.5; Total Fees: $8,545.50)**

32. This category includes, among other things, the time that A&M spent analyzing claims asserted against the Debtors. In connection with the foregoing services, A&M expended

24.5 hours during the Application Period for which A&M seeks compensation in the amount of $8,545.50. The professional services relating to claims are set forth in detail, and incorporated herein by reference, in the Monthly Fee Statements and are summarized in the following table:

| PROFESSIONAL | HOURS BILLED | TOTAL FEES |
|---|---|---|
| JULIE HERTZBERG | 1.5 | $705.00 |
| RICHARD MIZAK | 4.0 | $1,900.00 |
| KRISTEN ZAVO | 5.3 | $1,987.50 |
| KEVIN LARIN | 13.2 | $3,828.00 |
| MARY LOU CABADAS | 0.5 | $125 |
| **TOTAL** | **24.5** | **$8,545.50** |

**C. Contracts/Leases (Total Hours: 18.7; Total Fees: $9,007.50)**

33. Services rendered by A&M in this category include: (a) analyzing the financial consequences and value of the Debtors' real property leases, vendor contracts and other contracts; and (b) assisting the Debtors in determining whether any specific contract or lease should be renegotiated, assumed, assumed and assigned or rejected.

34. In connection with the foregoing services, A&M professionals expended 18.7 hours during the Application Period for which A&M seeks compensation in the amount of $9,007.50. The professional services relating to contracts and leases are set forth in detail, and incorporated herein by reference, in the Monthly Fee Statements and are summarized in the following table:

| PROFESSIONAL | HOURS BILLED | TOTAL FEES |
|---|---|---|
| JOSEPH BONDI | 1.0 | $690.00 |
| RICHARD MIZAK | 16.8 | $7,980.00 |
| KRISTEN ZAVO | 0.9 | $337.50 |
| **TOTAL** | **18.7** | **$9,007.50** |

**D. Engagement Management (Total Hours: 120.0; Total Fees: $44,887.00)**

35. This category includes time expended by A&M: (a) coordinating tasks among professionals in order to ensure that all matters were addressed in a timely fashion without duplication of effort; (b) participating in meetings regarding case strategy; (c) preparation for meetings with and presentations to the Ad Hoc Senior Secured Note Holder Group's and the Committee's professionals; (d) preparing A&M's Monthly Fee Statements; and (e) responding to inquiries from the U.S. Trustee.

36. In connection with the foregoing services, A&M professionals expended 120.0 hours during the Application Period for which A&M seeks compensation in the amount of $44,887.00. The professional services relating to these services are set forth in detail, and incorporated herein by reference, in the Monthly Fee Statements and are summarized in the following table:

| PROFESSIONAL | HOURS BILLED | TOTAL FEES |
|---|---|---|
| JOSEPH BONDI | 10.5 | $7,245.00 |
| AL LAKHANI | 10.4 | $6,760.00 |
| JULIE HERTZBERG | 0.4 | $188.00 |
| BRETT RHEDER | 15.0 | $7,125.00 |
| RICHARD MIZAK | 2.1 | $997.50 |
| MARK ZEISS | 2.9 | $841.00 |
| KATHY SWEETLAND | 16.3 | $6,520.00 |
| KRISTEN ZAVO | 0.5 | $187.50 |
| KEVIN LARIN | 23.9 | $6,931.00 |
| MARY LOU CABADAS | 17.1 | $4,275.00 |
| MARY NAPOLIELLO | 18.0 | $3,150.00 |
| NICHOLAS STEVENS | 2.9 | $667.00 |
| **TOTAL** | **120.0** | **$44,887.00** |

**E. Information Requests (Total Hours: 26.3; Total Fees: $11,702.50)**

37. This category includes time expended by A&M: (a) interfacing with the Ad Hoc

Senior Secured Note Holder Group's financial advisors regarding the Debtors' cash position, business plan, financial statements and projections; (b) analyzing the data requested; and (c) providing the Ad Hoc Senior Secured Note Holder Group's financial advisors with such information.

38. In connection with the foregoing services, A&M professionals expended 26.3 hours during the Application Period for which A&M seeks compensation in the amount of $11,702.50. The professional services relating to information requests are set forth in detail, and incorporated herein by reference, in the Monthly Fee Statements and are summarized in the following table:

| PROFESSIONAL | HOURS BILLED | TOTAL FEES |
|---|---|---|
| JOSEPH BONDI | 2.0 | $1,380.00 |
| RICHARD MIZAK | 12.1 | $5,747.50 |
| KRISTEN ZAVO | 12.2 | $4,575.00 |
| **TOTAL** | **26.3** | **$11,702.50** |

**F. Legal (Total Hours: 176.9; Total Fees: $75,800.00)**

39. This category includes time expended by A&M: (a) preparing for and attending the section 341 meeting, meetings with the U.S. Trustee and Court hearings; (b) providing financial information to the Debtors' counsel for documents to be filed with the Court; (c) responding to discovery requests; and (d) preparing for a contested valuation hearing.

40. In connection with the foregoing services, A&M professionals expended 176.9 hours during the Application Period for which A&M seeks compensation in the amount of $75,800.00. The professional services relating to legal matters are set forth in detail, and incorporated herein by reference, in the Monthly Fee Statements and are summarized in the following table:

| PROFESSIONAL | HOURS BILLED | TOTAL FEES |
|---|---|---|
| JOSEPH BONDI | 15.0 | $10,350.00 |
| RICHARD MIZAK | 54.8 | $26,030.00 |
| KATHY SWEETLAND | 41.8 | $16,720.00 |
| CRAIG EVANS | 1.0 | $350.00 |
| DARA BADGER | 23.8 | $8,330.00 |
| DIPESH PATEL | 16.0 | $5,600.00 |
| JOHN deCRAEN | 21.0 | $7,350.00 |
| JONATHAN SCHEFFRAHN | 0.4 | $140.00 |
| LOUIS MARTIN | 3.1 | $930.00 |
| **TOTAL** | **176.9** | **$75,800.00** |

**G. Meetings (Total Hours: 50.7; Total Fees: $30,210.00)**

41. This category includes time expended by A&M preparing for and participating in meetings regarding financial matters and the Debtors' business plan with: (a) the Debtors and their counsel; (b) the Debtors' creditors; (c) the Ad Hoc Senior Secured Note Holder Group and its legal and financial advisors; and (d) the Committee and its legal and financial advisors.

42. In connection with meetings, A&M professionals expended 50.7 hours during the Application Period for which A&M seeks compensation in the amount of $30,210.00. The professional services relating to meetings are set forth in detail, and incorporated herein by reference, in the Monthly Fee Statements and are summarized in the following table:

| PROFESSIONAL | HOURS BILLED | TOTAL FEES |
|---|---|---|
| JOSEPH BONDI | 28.5 | $19,665.00 |
| RICHARD MIZAK | 22.2 | $10,545.00 |
| **TOTAL** | **50.7** | **$30,210.00** |

**H. Plan and Disclosure Statement (Total Hours: 93.3; Total Fees: $47,947.50)**

43. This category includes time expended by A&M: (a) assisting the Debtors' management and the Debtors' counsel negotiate and formulate the Plan; (b) preparing the

financial information and analyses for incorporation into the Disclosure Statement; and (c) preparing the financial data set forth in the appendices to the Disclosure Statement including the liquidation analysis and financial projections.

44. In connection with the foregoing services, A&M professionals expended 93.3 hours during the Application Period for which A&M seeks compensation in the amount of $47,947.50. The professional services relating to these services are set forth in detail, and incorporated herein by reference, in the Monthly Fee Statements and are summarized in the following table:

| PROFESSIONAL | HOURS BILLED | TOTAL FEES |
|---|---|---|
| JOSEPH BONDI | 20.0 | $13,800.00 |
| RICHARD MIZAK | 66.6 | $31,635.00 |
| KRISTEN ZAVO | 6.7 | $2,512.50 |
| **TOTAL** | **93.3** | **$47,947.50** |

**I. Reports and Presentations (Total Hours: 34.3; Total Fees: $14,652.50)**

45. This category includes time expended by A&M preparing reports and presentations for the Debtors' management and their counsel, the Ad Hoc Senior Secured Note Holder Group and its legal and financial advisors, the unsecured bondholders, and the Committee and its legal and financial advisors.

46. In connection with the foregoing services, A&M professionals expended 34.3 hours during the Application Period for which A&M seeks compensation in the amount of $14,652.50. The services relating to this task category are set forth in detail, and incorporated herein by reference, in the Monthly Fee Statements and are summarized in the following table:

| PROFESSIONAL | HOURS BILLED | TOTAL FEES |
|---|---|---|
| RICHARD MIZAK | 17.9 | $8,502.50 |
| KRISTEN ZAVO | 16.4 | $6,150.00 |

| PROFESSIONAL | HOURS BILLED | TOTAL FEES |
|---|---|---|
| **TOTAL** | **34.3** | **$14,652.50** |

**J. Restructuring Alternatives (Total Hours: 52.7; Total Fees: $24,292.50)**

47. During the Application Period, A&M spent time analyzing the Debtors' restructuring alternatives, participating in meetings with the Debtors' board of directors, and advising the Debtors' management regarding the Debtors' business plan.

48. In connection with the foregoing services, A&M professionals expended 52.7 hours during the Application Period for which A&M seeks compensation in the amount of $24,292.50. The services relating to analysis of restructuring alternatives are set forth in detail, and incorporated herein by reference, in the Monthly Fee Statements and are summarized in the following table:

| PROFESSIONAL | HOURS BILLED | TOTAL FEES |
|---|---|---|
| RICHARD MIZAK | 45.3 | $21,517.50 |
| KRISTEN ZAVO | 7.4 | $2,775.00 |
| **TOTAL** | **52.7** | **$24,292.50** |

**K. Schedules and Statements (Total Hours: 446.6; Total Fees: $131,440.00)**

49. During the Application Period, A&M professionals spent a significant amount of time preparing the Debtors' schedules of assets and liabilities and statements of financial affairs, both of which were prepared on an expedited basis. This task included working with the Debtors' management, accounting personnel and legal team in: (a) compiling data regarding claims against the Debtors, the Debtors' assets including contracts and leases and potential liabilities including pending litigation; and (b) compiling the data and other disclosures that must be included in statements of financial affairs.

50. In connection with the foregoing services, A&M professionals expended 446.6

hours during the Application Period for which A&M seeks compensation in the amount of $131,440.00. The time expended relating to these services is set forth in detail, and incorporated herein by reference, in the Monthly Fee Statements and is summarized in the following table:

| PROFESSIONAL | HOURS BILLED | TOTAL FEES |
|---|---|---|
| JULIE HERTZBERG | 24.6 | $11,562.00 |
| RICHARD MIZAK | 22.0 | $10,450.00 |
| PAUL KINEALY | 4.9 | $1,617.00 |
| MARK ZEISS | 10.8 | $3,132.00 |
| KRISTEN ZAVO | 16.8 | $6,300.00 |
| JAMIE STROHL | 3.9 | $897.00 |
| KEVIN LARIN | 186.5 | $54,085.00 |
| MARY LOU CABADAS | 114.2 | $28,550.00 |
| MATTHEW WILLIAMS | 9.5 | $2,565.00 |
| ANASTASIYA PSHENICHNAYA | 0.6 | $138.00 |
| NICHOLAS STEVENS | 52.8 | $12,144.00 |
| **TOTAL** | **446.6** | **$131,440.00** |

**L. Strategic/Business Plan Analysis (Total Hours: 395.0; Total Fees: $166,577.00)**

51. Services rendered by A&M in this category include, among other things, the following: (a) assisting the Debtors' management in preparation and analysis of business plans for their ongoing operations; (b) developing financial models and analysis thereof; (c) preparing financial statements, projections, forecasts and budgets; and (d) advising the Debtors' management and legal counsel regarding the Debtors' business plan.

52. In connection with the foregoing services, A&M professionals expended 395.0 hours during the Application Period for which A&M seeks compensation in the amount of $166,577.00. The services relating to this task category are set forth in detail, and incorporated herein by reference, in the Monthly Fee Statements and are summarized in the following table:

| PROFESSIONAL | HOURS BILLED | TOTAL FEES |
|---|---|---|
| JOSEPH BONDI | 26.8 | $18,492.00 |

| PROFESSIONAL | HOURS BILLED | TOTAL FEES |
|---|---|---|
| RICHARD MIZAK | 100.1 | $47,547.50 |
| KRISTEN ZAVO | 268.1 | $100,537.50 |
| **TOTAL** | **395.0** | **$166,577.00** |

**M. Tax (Total Hours: 0.2; Total Fees: $95.00)**

53. During the Application Period, A&M briefly interfaced with the Debtors' tax counsel regarding the Plan. A&M expended 0.2 hours on tax matters and in connection therewith seeks compensation in the amount of $95.00. The detail relating to this task category is set forth, and incorporated herein by reference, in the Monthly Fee Statements and is summarized in the following table:

| PROFESSIONAL | HOURS BILLED | TOTAL FEES |
|---|---|---|
| RICHARD MIZAK | 0.2 | $95.00 |
| **TOTAL** | **0.2** | **$95.00** |

**The Nature of A&M's Corporate Finance Services**

54. At the outset of the Debtors' chapter 11 cases, the Debtors were facing the prospect of a protracted, costly battle over the proper valuation of the Debtors for purposes of their chapter 11 plan. The A&M corporate finance team played a vital role in bridging the gap between the valuation proposed by the Debtors' senior secured note holders and the Committee. Had these parties not reached an agreement on a consensual chapter 11 plan, the Debtors would have been required to engage in a protracted and expensive evidentiary hearing regarding the valuation of the Debtors' assets, likely followed by a contested plan confirmation hearing. A&M submits that the Debtors' estates derived substantial benefits from the services performed by A&M's corporate finance group, likely saving the Debtors millions of dollars by avoiding the expense of a contested confirmation battle.

55. These services included, without limitation: (a) assisting the Debtors in preparing revised forecasts, analyzing the Debtors' capital and funding requirements based on such forecasts, and interfacing with the Ad Hoc Senior Secured Note Holder Group and the Committee regarding the same; (b) assisting the Debtors and their counsel in negotiating the terms of the cash collateral budget, the New Management Incentive Plan, the New Senior Secured Note, the Cash Funding at Exit, and other financial aspects of the Plan; (c) assisting the Debtors with the formulation, evaluation and implementation of various options for a restructuring or reorganization; (d) assisting the Debtors in negotiating the terms of the Plan Support Agreement; (e) providing financial advisory services to the Debtors in connection with formulating the Plan; (f) negotiating with representatives of unsecured trade claimants to obtain their support for the consensual restructuring; (g) preparing for a contested valuation hearing; and (h) preparing a valuation report.

56. In connection with corporate finance services, A&M seeks compensation in the amount of $280,000.00 (comprised of Monthly Fees for the period from March 6, 2008 through June 30, 2008).

**P. Disbursements (Total Expenses: $3,914.15)**

57. A&M has incurred expenses in the amount of $3,914.15 for, among other things, telephone, messenger service, business meals, travel and transportation expenses. Each expense was reasonable and necessarily incurred in rendering services to the Debtors in these cases. Detailed schedules of the expenses incurred by A&M during the Application Period are set forth, and incorporated herein by reference, in the Monthly Fee Statements and are summarized by expense category in the following table:

| EXPENSE CATEGORY | AMOUNT |
|---|---|
| Lodging | $1,293.17 |

| EXPENSE CATEGORY | AMOUNT |
|---|---|
| Meals | $734.49 |
| Miscellaneous | $1,762.39 |
| Transportation | $124.10 |
| **TOTAL** | **$3,914.15** |

**Applicable Legal Standards and Criteria**

58. The Court may award a professional employed by the estates "reasonable compensation for actual, necessary services" rendered by the professional, plus "reimbursement for actual, necessary expenses" under Section 330 of the Bankruptcy Code. See 11 U.S.C. § 330(a)(1). See generally In re Cenargo Int'l, 294 B.R. 571 (Bankr. S.D.N.Y. 2003); In re Child World, Inc., 185 B.R. 14 (Bankr. S.D.N.Y. 1995).

59. Section 330 of the Bankruptcy Code, by its terms, is "subject to" the provisions of section 328 of the Bankruptcy Code. 11 U.S.C. § 330. Section 328(a) permits a debtor, with the Court's approval, to employ professional persons "on any reasonable terms and conditions of employment, including on retainer, on an hourly basis, on a fixed percentage fee basis, or on a contingent basis." 11 U.S.C.§ 328(a).

60. Once the terms of a professional's retention have been approved under section 328(a), the agreed-upon compensation cannot be altered unless the agreed terms "prove to have been improvident in light of developments not capable of being anticipated at the time of the fixing of such terms and conditions." 11 U.S.C. 328(a); see also In re Reimers, 972 F.2d 1127, 1128 (9th Cir. 1992) (compensation agreement approved under section 328(a) must be enforced in the absence of unforeseeable circumstances, and is not subject to a "reasonableness" review under section 330); In the Matter of Nat'l Gypsum Co., 123 F.3d 861 (5th Cir. 1997) (same); In re Olympia Holding Corp., 176 B.R. 962, 964 (Bankr. M.D. Fla. 1994) (same). As the court explained in National Gypsum:

> If the most competent professionals are to be available for complicated capital restructuring and the development to successful corporate reorganizations, they must know what they will receive for their expertise and commitment. Courts must protect those agreements and expectations, once found to be acceptable.

123 F. 3d at 863.

61. In this case, the Retention Order provides that A&M will receive (a) Hourly Fees as specified in the Engagement Letter; (b) Monthly Fees as specified in the Engagement Letter; (c) the Restructuring Fee as set forth and defined in the Engagement Letter; and (d) reimbursement of its expenses, "all of which shall not thereafter be subject to challenge except under the standard of review set forth in section 328 of the Bankruptcy Code." Retention Order, ¶ 4.

**Application of Relevant Criteria and Standards to this Application**

62. In applying the criteria set forth above to this Application, A&M respectfully submits that: (a) all of the services performed by the A&M were required in these cases, were authorized by the Court, and were performed by A&M at the request and direction of the Debtors; (b) the compensation and reimbursement of expenses requested in this Application are in accordance with the terms of the Engagement Letter and the Retention Order pursuant to section 328(a) of the Bankruptcy Code; and (c) no unforeseeable developments have arisen during these cases that would render the approval of A&M's fees to have been "improvident" within the meaning of section 328(a) of the Bankruptcy Code.

63. Moreover, the services rendered by A&M to achieve the results obtained for the benefit of the estates' creditors was reasonable in light of the: (a) complexity of the issues involved in these cases; (b) skill required to properly perform the financial advisory services rendered by A&M; (c) preclusion of other similar employment; (d) customary fees charged to clients in non-bankruptcy situations for similar services rendered; (e) time constraints required

by the exigencies of the cases; (f) experience, reputation and ability of the professionals rendering services; (g) time and labor required; and (h) the success of the Debtors in effecting a recapitalization through confirmation and consummation of the Plan.

**Statement Pursuant to Section 504 of the Bankruptcy Code and Bankruptcy Rule 2016**

64. No agreement or understanding prohibited by section 504 of the Bankruptcy Code exists between A&M and any third person for the sharing of compensation received by A&M in these cases.

65. Pursuant to Bankruptcy Rule 2016(a), no payments have heretofore been made or promised to A&M for services rendered or to be rendered in any capacity in connection with these cases, except as noted in paragraph 24 of A&M's retention application and those described in this Application in connection with prior Monthly Fee Statements.

**Notice**

66. In accordance with Bankruptcy Rule 2002, A&M has served this Application upon (a) the Debtors and their counsel; (b) counsel to the Committee; (c) the U.S. Trustee, and (d) the Core and 2002 Service Lists. A&M submits that no other or further notice is required.

**Waiver of Memorandum of Law**

67. This Application includes citations to the applicable authorities and does not raise any novel issues of law. Accordingly, A&M respectfully requests that the Court waive the requirement contained in Local Bankruptcy Rule 9013-1(b) that a separate memorandum of law be submitted.

**Conclusion**

WHEREFORE, A&M respectfully requests that the Court enter an order substantially in the form attached hereto as **Exhibit C**: (a) granting this Application on a final basis; (b) approving final compensation in favor of A&M in the amount of $2,007,704.50 for actual,

necessary and reasonable professional services rendered on behalf of the Debtors from March 6, 2008 through and including June 30, 2008; (c) approving final reimbursement of expenses in favor of A&M in the amount of $3,914.15 for actual, necessary and reasonable expenses incurred on behalf of the Debtors from March 6, 2008 through and including June 30, 2008; (d) authorizing A&M to apply the Retainer in partial satisfaction of the amounts sought herein; (e) directing the Debtors to pay to A&M the difference between the amounts allowed hereunder and the amounts previously paid to A&M (including the Retainer); and (f) granting such other and further consistent relief as the Court may deem equitable and just.

Respectfully submitted,

Dated: August 15, 2008
New York, New York

/s/ Richard J. Mizak

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