

1 UNITED STATES BANKRUPTCY COURT

2 SOUTHERN DISTRICT OF NEW YORK

3 Case No. 12-11076-shl

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6 In the Matter of:

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8 ARCAPITA BANK B.S.C.(C), ET AL. AND

9 FALCON GAS STORAGE COMPANY, INC.,

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11 Debtors.

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15 U.S. Bankruptcy Court

16 One Bowling Green

17 New York, New York

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19 October 24, 2013

20 11:06 AM

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23 B E F O R E :

24 HON SEAN H. LANE

25 U.S. BANKRUPTCY JUDGE

1 Doc. #1609 (ALVAREZ) Application for Final Professional
2 Compensation - Fourth Interim and Final Application of
3 Alvarez & Marsal North America, LLC, as Financial Advisor to
4 Arcapita Bank B.S.C.(c), Et Al.

5

6 Doc. #1607 (HOULIHAN LOKEY) Application for Final
7 Professional Compensation / Fourth and Final Application of
8 Houlihan Lokey Capital, Inc., Financial Advisor and
9 Investment Banker to the Official Committee of Unsecured
10 Creditors

11

12 Doc. #1597 (KING & SPALDING) Application for Final
13 Professional Compensation of King & Spalding, LLP and King &
14 Spalding International, LLP, as Special Counsel for the
15 Debtors and Debtors in Possession

16

17 Doc. #1598 (GCG, INC.) Application for Final Professional
18 Compensation / Final Fee Application of GCG, Inc. as
19 Administrative Agent for the Debtors, for Allowance of
20 Compensation and for Reimbursement of Expenses

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1 Doc. #1605 (MILBANK) Application for Final Professional
2 Compensation / Fourth and Final Application of Milbank,
3 Tweed, Hadley & McCloy, LLP for Approval and Allowance of
4 Compensation for Services Rendered and Reimbursement of
5 Expenses Incurred

6
7 Doc. #1595 (ROTHSCHILD, INC.) Application for Final
8 Professional Compensation / Fourth Interim and Final
9 Application of Rothschild, Inc. and N M Rothschild & Sons,
10 Limited as Financial Advisor and Investment Banker to the
11 Debtors

12
13 Doc. #1594 (TROWERS) Application for Final Professional
14 Compensation / Fourth and Final Application of Trowers &
15 Hamlins as Attorneys for the Debtors and Debtors in
16 Possession

17
18 Doc. #1590 (LINKLATERS) Application for Final Professional
19 Compensation - Fourth Interim and Final Application of
20 Linklaters, LLP, as Special Counsel for the Debtors and
21 Debtors in Possession

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1 Doc. #1577 (ERNST & YOUNG) Final Application for Final
2 Professional Compensation / Final Application of Ernst &
3 Young for Compensation as Auditor to the Debtors and Debtors
4 in Possession
5
6 Doc. #1610 (WALKERS) Application for Final Professional
7 Compensation / Fourth and Final Application of Walkers,
8 Cayman Islands Counsel to Official Committee of Unsecured
9 Creditors for Approval and Allowance of Compensation for
10 Services Rendered and Reimbursement of Expenses Incurred
11
12 Doc. #1608 (GIBSON) Application for Final Professional
13 Compensation - Application of Gibson, Dunn & Crutcher, LLP,
14 as Attorneys for the Debtors and Debtors in Possession for
15 (I) Final Allowance of Compensation for Professional
16 Services Rendered and Reimbursement of Actual and Necessary
17 Expenses Incurred on Behalf of Each Debtor Other than Falcon
18 Gas Storage Company, Inc. from March 19, 2012 through
19 September 17, 2013 and (II) Interim Allowance of
20 Compensation for Professional Services Rendered and
21 Reimbursement of Actual and Necessary Expenses Incurred on
22 Behalf of Falcon Gas Storage Company, Inc., from April 1,
23 2013 through September 30, 2013 for Gibson, Dunn & Crutcher,
24 LLP, Debtors' Attorney, period: 3/19/2012 to 9/17/2013, fee:
25 \$37,984,590.7, expenses: \$816,811.75

1 Doc. #1049 (FIRST) Motion for Omnibus Objection to Claim(s)

2 - Debtors' First Omnibus Objection to Claims

3

4 Doc. #1050 (SECOND) Motion for Omnibus Objection to

5 Claim(s) - Debtors' Second Omnibus Objection to Claims

6

7 Doc. #1051 (THIRD) Motion for Omnibus Objection to Claim(s)

8 - Debtors' Third Omnibus Objection to Claims

9

10 Doc. #1052 (FOURTH Re: Schedule 1 Falcon Option Claims)

11 Motion for Omnibus Objection to Claim(s) - Debtors' Fourth

12 Omnibus Objection to Claims

13

14 Doc. #1053 (FIFTH) Motion for Omnibus Objection to Claim(s)

15 - Debtors' Fifth Omnibus Objection to Claims

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25 Transcribed by: Sherri L. Breach, CERT*D-397

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P R O C E E D I N G S

THE CLERK: All rise.

THE COURT: Please be seated.

We are here this morning for a hearing in Arcapita Bank. So let me get appearances from anybody who expects to speak here this morning.

MR. FLECK: Good morning, Your Honor. Evan Fleck on behalf of the creditors' committee as well as the reorganized debtors and the new holding companies.

THE COURT: Good morning.

MR. ROSENTHAL: Good morning, Your Honor. Michael Rosenthal from Gibson Dunn on behalf of the debtors and including Falcon Gas.

THE COURT: Good morning.

MR. MORRISSEY: Good morning, Your Honor. Richard Morrissey for the U.S. Trustee.

THE COURT: Good morning.

All right. Anyone else?

All right. Take it away.

MR. FLECK: Thank you, Your Honor.

We did file an agenda and an amended agenda for today's hearing, just an up -- just a few items on -- including fee applications and claims matters.

Before we jump into the agenda, with Your Honor's permission I would like to just give a brief update since

1 the last hearing on where things stand. And it will be
2 brief. We -- we did have --

3 THE COURT: Absolutely.

4 MR. FLECK: We have had one hearing since the
5 effective date. Your Honor will recall that was with
6 respect to Ernst & Young. It was not an omnibus hearing.
7 So this is, in terms of milestones, our first omnibus
8 hearing date since the effective date.

9 When we last convened, it was the day before the
10 AGA meeting. That was an important milestone in terms of
11 the final steps in terms of -- for implementing the plan
12 from a Bahraini law standpoint. And under the supervision
13 of the CBB and the Ministry of Industry and Commerce, as I
14 mentioned when we last met, there was -- there was a meeting
15 of the shareholders and Arcapita Bank, B.S.C. in Bahrain and
16 the remaining steps that needed to be taken to formalize
17 everything that was contemplated in the plan and
18 confirmation order and this reorganization did take place
19 without incident.

20 All of the agenda items were approved by the
21 shareholders of Arcapita Bank, including significantly the
22 installation of the new board. Those are the same members
23 of the board that Your Honor is aware of and we had filed in
24 connection with the plan documentation. And the CVs are on
25 file with this Court for those members of the board. So

1 they're now at Arcapita Bank, B.S.C. as well. So that's
2 another, as I said, an important step in the transition to
3 the post-bankruptcy period for these entities.

4 In addition, Your Honor, a significant amount of
5 work has taken place principally by the board, the new
6 board. As well as its -- its sub-committees, the board had
7 a two-day in person meeting in New York just a couple of
8 weeks ago where it started to really get into the in-depth
9 work of managing this portfolio and interacting with AIM,
10 its asset manager. And so good progress is being made.

11 Specifically, I wanted to mention one item that
12 would be of interest to -- to creditors and the Court. It's
13 with respect to one piece -- one piece of consideration that
14 was contemplated under the plan, which is the
15 (indiscernible) which is intended to be listed on the Irish
16 stock exchange. An audit committee has been set up on the
17 board and they have engaged an auditor to do the work
18 necessary to allow that -- that instrument to be listed on
19 the Irish exchange. That -- that's been important to
20 creditors in the case and so the board has taken that on as
21 an important agenda item. So they're working on that as a
22 top priority item.

23 And, in addition, the board is well underway in
24 terms of other aspects of the management portfolio.

25 Because Mr. Rosenthal was not here at the last

1 meeting, I just want to mention again on the record, on
2 behalf of the reorganized debtors, the appreciation of the
3 -- of the entities and the new board for the good work of
4 the debtors' professionals in the cases to allow us to get
5 to this point and -- and moving forward as creditors would
6 expect in the post-effective date period.

7 THE COURT: All right. And I'll repeat what I
8 said at the last hearing, which was, as you said, not a
9 general omnibus hearing is I'm very glad to hear everything
10 went effective. It's been a really interesting case with
11 significant challenges that some of which were very unusual,
12 and I think the case has been very, very well-served by
13 counsel to the debtors and the committee in -- in reaching
14 the good result that we've reached.

15 So thank you very much for that.

16 MR. FLECK: Okay. Thank you.

17 With that I would like to move on to the agenda
18 and the fee applications that are on for hearing today.

19 There are a number of fee applications that are
20 before the Court for hearing. They have been properly
21 noticed and served to the parties consistent with the case
22 management procedures.

23 There are a few fee applications that are not on
24 for today, but have been scheduled for the next hearing in
25 November. And so we'll be back at that point to take up the

1 balance of the applications for the debtors that have
2 emerged. Falcon, as you know, who is still before the
3 Court, has not had a plan confirmation process. So there
4 will be further applications with respect to that debtor.

5 I wanted to highlight before we go into this --
6 the applications themselves just a couple of points.

7 First is that this is -- this case is perhaps
8 somewhat unusual in that the source of funding for the fee
9 applications and the amounts that the professionals are
10 seeking is a professional fee escrow that was set up
11 pursuant to the plan and implemented under the confirmation
12 order. So the funds that the debtor -- that the debtors'
13 professionals, the committee's professionals are seeking
14 pursuant to their applications are in an account at JPMorgan
15 Chase at this point.

16 There is approximately \$35,564,000 in that
17 account. And the way we set it up is that there were --
18 there is adequate funds for each professional based upon
19 estimates that were established at the time the account was
20 set up. And based upon our estimations, there should be
21 approximately \$5 million of excess funds in that account
22 that would then go back to reorganized Arcapita, assuming
23 the applications are approved as requested.

24 As we'll discuss today, there are some reductions
25 that the professionals have agreed to in consultation with

1 the Office of the United States Trustee.

2 In that regard, Your Honor, there were two
3 objections to the relief requested today. One was
4 procedural in nature and one was substantive. The -- what
5 we categorize as a procedural objection was filed on behalf
6 of Captain Hani Alsaheimi (ph). We filed a response on
7 behalf of the committee. I think the sentiment in the
8 response is shared by the other parties, but in the interest
9 of being efficient and not spending a lot of estate
10 resources, we submitted one reply.

11 And that -- the basic argument in the pleading was
12 that the Office of the United States Trustee was obviously -
13 - well, the government was shut down in some respects during
14 some period of time when the notice was -- when this was out
15 to the parties in interest after they were filed on the
16 docket and that the hearing should be adjourned.

17 As we stated in our response, Your Honor, and I
18 think this is evident from Mr. Morrissey's presence here,
19 the Office of the United States Trustee was fully engaged
20 with respect to these applications.

21 During the time when the office was on a lighter
22 staff, Mr. Masumoto from the office was in direct contact
23 with many, if not all of the professionals with respect to
24 the applications. We were engaged in the process of
25 providing additional information in support and discussions

1 regarding the fees and expenses that were requested. And
2 the office did file a timely objection that -- that I
3 believe -- isn't that -- has been fully resolved on the
4 basis of further --

5 THE COURT: All right.

6 MR. FLECK: -- reductions by the professionals
7 that we'll go through as we deal with each of the
8 professional --

9 THE COURT: All right.

10 MR. FLECK: -- applications.

11 THE COURT: And I'll take this opportunity while
12 doling out my appreciation, the appreciation I have for the
13 Office of the U.S. Trustee in handling this case and I know
14 many others during the government shut down. And so I saw
15 the objection saying that they haven't had time to address
16 the fees, and then I saw the objection of the U.S. Trustee's
17 Office which obviously evidenced their review and views on
18 the fee applications.

19 So I appreciate their ability to do that and I
20 know I did see Mr. Masumoto walking around the area
21 seemingly everywhere at once. So I do appreciate their
22 efforts to keep up in challenging circumstances.

23 So I know there also was another objection which I
24 assume you want to address, although I'm not sure if anybody
25 is here on behalf of that objecting party, Captain Hani

1 Alsaheми.

2 MR. FLECK: I believe -- I believe counsel is
3 here, Your Honor. Our understanding of the objection was
4 principally what -- or the relief that was sought was an
5 adjournment of this hearing today to a later time so that
6 the --

7 THE COURT: All right.

8 MR. FLECK: -- review process could take place.
9 In our view, that review process has taken place. The
10 applications were properly noticed to the parties in
11 interest consistent with the case management procedures --

12 THE COURT: Right.

13 MR. FLECK: -- that the professionals have
14 followed. The United States Trustee did engage in that
15 inquiry --

16 THE COURT: Right.

17 MR. FLECK: -- and review process. And we believe
18 it's properly calendared for today.

19 THE COURT: All right.

20 MR. FLECK: And we would --

21 THE COURT: Let me ask Captain Hani Alsaheми's
22 counsel if there's anything that you want to address in
23 terms of their objection -- the hearing in terms of the
24 procedural objection that this hearing should be adjourned.

25 MS. WIENER: Hi. Good morning, Your Honor. We

1 objected on the basis that the government was shut down. We
2 saw on the U.S. Trustee's website that it was shut down,
3 also --

4 THE COURT: No. No. I understand that. My
5 question is whether you -- you have any other arguments you
6 want to make or you're continuing to contend that it should
7 be shut down -- I'm sorry -- that this hearing should be
8 adjourned.

9 MS. WIENER: Not at all. We --

10 THE COURT: All right.

11 MS. WIENER: -- we're totally satisfied. Thank
12 you.

13 THE COURT: All right. Thank you.

14 And while you're up let me just ask one other
15 question. The other objection that I saw in your papers
16 dealt with concerns about essentially some kind of
17 administrative insolvency in terms of fees and not having
18 enough money to pay the fees. That was -- that topic was
19 addressed by Mr. Fleck's firm and in their reply. I didn't
20 know if that was something you wanted to pursue at this
21 hearing or not in light of -- of the information that was
22 provided.

23 MS. WIENER: Well, Your Honor, I'm not really
24 clear on where the money is coming from to fund the
25 liquidation on a going forward basis. But I saw from the

1 papers --

2 THE COURT: I think it's in the plan. I think all
3 that's set forth --

4 MS. WIENER: The plan. I saw that there's --

5 THE COURT: -- in the plan.

6 MS. WIENER: -- more money than anticipated; that
7 there's some \$50 million towards it. So I'm not really
8 concerned about that.

9 I have one issue, and please let me know if this
10 is not the time to raise it, which is I happened to look on
11 Arcapita.com, the website, and to look at that website it
12 looks like Arcapita is still running and reorganized and
13 doing new business, whereas my understanding of the plan --

14 THE COURT: All right. Well, let me back up --

15 MS. WIENER: -- and disclosure statement --

16 THE COURT: -- just --

17 MS. WIENER: -- was something different.

18 THE COURT: The hearing today is about, among
19 other things, the fee applications and --

20 MS. WIENER: Yes.

21 THE COURT: -- you filed an objection. So what --

22 MS. WIENER: Yes.

23 THE COURT: -- I'm trying to get at is if you
24 wanted to pursue your objection about your -- your concern
25 expressed in your objection to the fee applications about

1 there not being sufficient money or that payment here would
2 be problematic under the circumstances.

3 So that my questions are you -- are -- is that an
4 objection you want to stand by here today or is it something
5 that you don't want to pursue in light of the information
6 that was contained in the reply?

7 MS. WIENER: Your Honor, I'm -- I am satisfied. I
8 think there was just a --

9 THE COURT: All right.

10 MS. WIENER: -- misunderstanding here that I
11 thought, based on the news, that the U.S. Trustee was shut
12 down --

13 THE COURT: All right. That --

14 MS. WIENER: -- and communicate --

15 THE COURT: That's fine. That's why I'm asking.
16 I just want to make sure I understand whether you want to
17 pursue anything or not in light of subsequent events.

18 All right. Thank you.

19 MS. WIENER: No, not at all. Thank you.

20 THE COURT: Back to you, Mr. Fleck.

21 MR. FLECK: Thank you, Your Honor. I'm actually
22 going to cede the podium to Mr. Rosenthal as we've done --

23 THE COURT: All right.

24 MR. FLECK: -- during the case.

25 THE COURT: What I do want to do, though, just I

1 know it's in your papers, but for purposes of making it
2 clear on the record at this hearing is if you could just
3 briefly address that one other issue that we talked about
4 that is addressed in your papers about the objection dealing
5 with not enough money to make these payments at this time
6 and potential administrative insolvency, as I think it was
7 stated.

8 MR. FLECK: Yes, Your Honor. I'm happy to do
9 that.

10 As I mentioned at the outset of this portion of
11 the agenda, the funds to satisfy the claims of the
12 professionals in the case have been set aside in an escrow
13 account. That the -- the funds became available as a result
14 of -- from various sources. There was cash in an account.
15 There was also the exit financing. And so those -- the
16 collection of funds that was avail -- that were available to
17 the reorganized debtors and invested in the reorganized
18 debtors through the effective date, in part, went to satisfy
19 or went into that escrow account to satisfy the claims of
20 the professionals.

21 More broadly speaking as addressed in our reply,
22 there is no administrative insolvency here. There -- I'm
23 not sure actually if that term even applies given the status
24 of the cases. But --

25 THE COURT: I -- it's -- I probably should have

1 used it with air quotes around it. I don't think it's --
2 it's -- but I guess the idea is not having enough money to
3 satisfy obligations. We'll use it in that sense.

4 MR. FLECK: Okay. And -- and, Your Honor, the
5 disclosure statement and plan set forth the, at least at the
6 time, the parties' expectations with respect to the value of
7 the portfolio. The portfolio of assets that vested in the
8 reorganized debtors will be the source of funding for this
9 monetization process over the course of the next few years.

10 As we -- as we discussed at a prior hearing, there
11 is one monetization that was public and discussed because at
12 one point in time we thought we needed authority from the
13 Court if it was going to happen before the effective date.
14 And that was with respect to the Yerlog (ph) assets, and
15 that did produce income to the reorganized debtors on
16 account of their economic state. And we expect that to
17 continue over the course of the monetization process.

18 The reorganized debtors' board is keenly focused,
19 as was the committee, on expenses and making sure that their
20 primary obligation is to manage this corporation, set of
21 companies, but also to provide for recoveries to creditors
22 under the various instruments that creditors are going to
23 see their returns. And that will be through this
24 (indiscernible), through the securities and hopefully
25 through the warrants to the extent the value that flows from

1 the portfolio that is vested in the reorganized debtors.

2 There certainly is sufficient, as we said in the
3 response, on behalf of the reorganized debtors there is an
4 excess of \$50 million cash in the reorganized debtors'
5 principal account. There are also accounts in various
6 jurisdictions that are under the control of the reorganized
7 debtors and that's in addition to the professional fee
8 escrow.

9 THE COURT: All right. And the professional fee
10 escrow, as you explain I think in more detail in your reply,
11 contains sufficient funds to pay the professional fees that
12 are requested here today.

13 MR. FLECK: That's correct.

14 THE COURT: All right. And you had said there
15 were a couple of fee applications that are not on today. I
16 assume it's also sufficient to pay those as has been
17 essentially monetized to date.

18 MR. FLECK: Yes, Your Honor. That's correct.

19 THE COURT: All right. And --

20 MR. FLECK: And there's sufficient --

21 THE COURT: -- what are the ones that are still
22 out there?

23 MR. FLECK: There are a number of professionals
24 that are still -- FTI would be one of them, KPMG as well. A
25 few of the special counsel, Bahraini counsel to the

1 committee, the QC that was engaged by the debtors.

2 So I think -- well, I know that the balance of the
3 funds -- of the amounts that are going to be requested are
4 significantly smaller in the aggregate, but we have taken
5 all of those into account in getting comfortable that that
6 escrow was adequate. It was based on the budgets and there
7 was a cushion in there so that we wouldn't have to dip into
8 reorganized debtors' treasury to fund them. We will, if
9 necessary, and there's ample liquidity available to satisfy
10 should -- should something happen where -- with the balance
11 of those applications amounts are allowed well in excess of
12 what were sought in the applications.

13 THE COURT: All right. Thank you. That's
14 helpful.

15 All right. I think under the circumstances it
16 appears that Captain Hani Alsaheimi is not moving forward at
17 least some and perhaps all of his objections to the fees
18 here today, which are not to any particular fee application,
19 but are more global objections that we've identified here
20 already.

21 But to the extent that there are still any
22 objections out there on the two bases that have been
23 discussed, the involvement of the U.S. Trustee's Office as
24 well as this potential for essentially not having enough
25 money to cover these obligations, to the extent those

1 objections are still out there I will overrule them at this
2 time based on the record I have before me and the
3 representations of counsel, including the reply as well as
4 the filing by the U.S. Trustee's Office.

5 MR. FLECK: Thank you, Your Honor.

6 THE COURT: All right. So I think then we can
7 dive into each of the particular applications, then, at this
8 point.

9 MR. FLECK: Okay. Thank you, Your Honor. As I
10 said, I'm going to cede the podium to Mr. Rosenthal.

11 THE COURT: Thank you.

12 MR. ROSENTHAL: Good morning, Your Honor.

13 I can't resist the opportunity to say something
14 initially. As I've said at many of the other hearings --
15 and this is probably my last opportunity to say that -- say
16 something in this case.

17 I would like to thank the Court for all of your
18 time and attention during the case. It's certainly been an
19 interesting case and we appreciate the Court's demeanor,
20 steady and direction, and thoughtfulness. And I will
21 personally never forget your metaphor and warnings about the
22 Court being a blunt instrument. I think that will stay with
23 me for a long time and it's something that we would be wise
24 to talk to our clients about in every case.

25 THE COURT: Well, it's a line I've stolen from

1 someone else. I can't even remember who, but I'm always
2 happy to steal somebody else's good material. So feel free
3 to pass it on.

4 MR. ROSENTHAL: And I also want to thank, Your
5 Honor, Mr. Morrissey and the U.S. Trustee's Office for
6 everything they've done, but, also, your clerks and your
7 staff. I have a son who is a law clerk right now and I know
8 how important the law clerks and the staff are to a case and
9 how much of a responsibility they shoulder. So I -- I
10 certainly appreciate what they have done during this case.

11 THE COURT: All right. Well, all of your words
12 are much appreciated and folks on the staff make -- make all
13 the Court -- what the Court does possible. So I appreciate
14 that.

15 MR. ROSENTHAL: And finally I want to thank and
16 recognize all of the other professionals in the case. This
17 case was about consensus building. And although at times it
18 seemed like an insurmountable goal that we would be able to
19 build consensus, I think in the end that's what drove the
20 case and that's what -- that's what brings us where we are
21 today. We did manage to build a consensus and that involved
22 not just work before the Court, but a ton of work behind the
23 scenes.

24 Your Honor, the first application is the Gibson
25 Dunn application. I would say generally that no one will

1 deny that Chapter 11 reorganizations of companies as
2 complicated and far-ranging as the debtors are expensive
3 affairs. But in a successful reorganization you have to
4 measure the cost up against the benefits. And we believe
5 that the Arcapita case is an example of where the benefits
6 far exceed the costs, even though the costs were significant
7 in the case.

8 Gibson Dunn rendered professional services of
9 approximately \$38 million in connection with the Arcapita
10 case and incurred approximately \$817,000 of expenses.

11 The expenses -- the fees and expenses are not
12 trivial, but they reflect a year and a half of late nights
13 and early mornings, whether in Bahrain or London or New
14 York, constant pressure and roll up your sleeves around the
15 clock hard work. In fact, we expended almost 50,000 hours
16 assisting the debtors.

17 Most of the Gibson Dunn fees and expenses have
18 already been paid in connection with the interim fee
19 process. Remaining unpaid is approximately \$7.1 million.
20 As Mr. Fleck said, there is more than sufficient funds in
21 the escrow to pay that 7.1 million.

22 And just to give you a little flavor of the
23 escrow, when we prepared the amount of the escrow, we asked
24 the professionals to estimate what their fees would be
25 through the end of the case. And then we funded the escrow

1 with like a sub-escrow for each professional equal to 115
2 percent of their estimate.

3 So in our case, for example, the escrow is funded
4 with somewhere at this point around \$8.5 million, and our
5 fees still remaining to be paid are 7.1. So those -- those
6 remaining fees will be released first to pay any
7 professional whose actual fees exceed their estimate in the
8 115 percent, and then later returned to the debtors if
9 they're not used. And that's why I think we feel very
10 comfortable that based on not just the people who have --
11 the firms that have currently filed fee applications, but
12 those who are to file, they were also subject to that
13 estimation process, that the escrow is more than sufficient.

14 Your Honor, we obviously believe that our
15 compensation request is reasonable under the standards
16 applicable to compensation in the Bankruptcy Code and in the
17 applicable case law.

18 We did receive an objection from the U.S.
19 Trustee's Office. We've worked with Mr. Morrissey and Mr.
20 Masumoto who we also appreciate for working during the
21 government shutdown. And we have agreed to reduce our fees
22 by an aggregate amount of \$117,926.54. This is in addition
23 to a reduction we had already taken for the fourth interim
24 compensation period related to transitory timekeepers.

25 Therefore, Your Honor, we request the following

1 orders:

2 First, an order approving on a final basis our
3 fees for the plan debtors -- these are the debtors other
4 than Falcon Gas Storage Company -- in an amount of
5 \$37,866,664.23, and for expenses in the amount of
6 \$816,811.75. These fees and expenses will be paid from the
7 professional plan escrow.

8 We request an interim allowance for the Falcon
9 case for the fourth fee period, which was the period April
10 through September, I believe, mid-September of \$216,648.50
11 and no expenses. This also reflects a reduction for
12 transitory timekeepers.

13 The -- we also, as part of the Falcon request,
14 have requested a release of the third interim period
15 holdback. We're still obviously going to follow the Court's
16 practice of maintaining the holdback for the fourth interim
17 period until the next fee hearing.

18 As you recall, the Falcon case, we originally
19 filed a plan. We didn't go forward with the plan. There
20 was a subordination issue sub judice with the Court and
21 we're waiting to see what happens with that and with some
22 Tide litigation.

23 THE COURT: All right.

24 MR. ROSENTHAL: By agreement, Your Honor, we have
25 -- with the committee and others we have agreed that the

1 third -- the amount of the third holdback for Falcon will be
2 paid from the professional claims' escrow, but that the
3 amounts due for the fourth interim period for Falcon would
4 be paid from Falcon -- by Falcon directly. Falcon does have
5 sufficient funds to make those payments. They're -- most of
6 them have been paid. There's a small September -- small
7 August and small September payment. We're not talking big
8 dollars here.

9 THE COURT: All right.

10 MR. ROSENTHAL: Based on that, Your Honor, we
11 would ask that the Court approve the Gibson Dunn fees and
12 expenses.

13 THE COURT: All right. Let me hear from the U.S.
14 Trustee's Office. And I'll leave it to Mr. Morrissey to
15 what's the most efficient way to address this application
16 and other applications. If you -- if you want to,
17 essentially, we can do them one at a time -- there are quite
18 a few of them -- or if there are common themes, feel free to
19 speak your peace all at once. But I'll leave that to your
20 discretion.

21 MR. MORRISSEY: Thank you, Your Honor. For the
22 record Richard Morrissey for the U.S. Trustee.

23 What I -- I guess I'll do is allow the debtors'
24 counsel to go through one by one, and if I have any special
25 comments regarding specific fee applicants I will stand up

1 at that --

2 THE COURT: All right. That's fine.

3 MR. MORRISSEY: -- point. But I may not have to
4 do that. And I certainly don't expect to do that for each
5 and every applicant.

6 Your Honor, first a general statement. The
7 professionals in this case, both those present in this
8 courtroom and those on the phone, have been extremely
9 cooperative not only with respect to the latest iteration of
10 the fee application, but also throughout the case. That has
11 saved not only me and my office a lot of time, but I think
12 it's also saved the professionals a lot of time and
13 certainly has saved the Court a lot of time and effort in
14 terms of having to adjudicate these matters.

15 I also think I should state that Mr. Masumoto, my
16 colleague, was here during the government shutdown, did go
17 above and beyond the call in reviewing the fee applications
18 and in putting together the objection. And that, of course,
19 has gone a long way in terms of getting to where we are
20 today with a resolution.

21 Your Honor, as far as the escrow account at
22 JPMorgan Chase, I think what that is is a continuation of a
23 trend begun early in the case when money was moved to the
24 Chase account in New York from -- I was going to say parts
25 unknown, but that's not quite true. But a lot of faraway

1 places including Bahrain to get control of the -- of as many
2 of the assets as possible in New York in an authorized
3 depository and that was, as I understand it, not an
4 incredibly easy task.

5 So I thank the people responsible for that for
6 accomplishing that. And I think that we have the escrow
7 account here and the escrow money here available to pay the
8 professionals as a result of those efforts.

9 So as far as Gibson Dunn's fees, in particular,
10 Gibson Dunn did have the voluntary reduction regarding
11 transitory timekeepers that Mr. Rosenthal mentioned, but
12 they also agreed to the additional \$117,000 reduction based
13 on the U.S. Trustee's objection and the U.S. Trustee agrees
14 to that amount.

15 And as a result, the U.S. Trustee has no objection
16 to the entry of an order approving Gibson Dunn's fee
17 application.

18 THE COURT: All right. And in your objection it
19 dealt with, I guess, fees regarding the preparation of fee
20 applications, meals and some transportation. So this is --
21 this reduction is inclusive of all those issues.

22 MR. MORRISSEY: Yes, Your Honor.

23 THE COURT: All right. Thank you very much.

24 Anyone else who wishes to be heard on the
25 applications of Gibson Dunn in this case?

1 All right. I am going to grant the applications
2 that have been requested as modified here today for the sums
3 that have been revised based on consultation with the
4 committee and the United States Trustee's Office, both as a
5 matter of interim applications and final applications.

6 MR. ROSENTHAL: Thank you very much, Your Honor.

7 The next application, Your Honor, is the
8 application of Alvarez & Marsal. I believe we have Lawrence
9 Hirsh and John Makuch present participating by telephone.

10 The original application, Your Honor, met a small
11 objection from the U.S. Trustee's Office which was -- A&M
12 agreed to reduce their fees by the full amount of the --
13 full amount of the objection which was not very much. The
14 fees in aggregate for which approval is sought are
15 \$14,839,637 and expenses of \$428,567.77, and unpaid from the
16 escrow is about \$1.85 million.

17 I will say to the Court that A&M was invaluable to
18 the debtors in this case. They -- they provided much needed
19 assistance in making sure that the debtors complied with
20 their record-keeping responsibilities, analyzing the
21 debtors' activities, and particularly important here because
22 we did have a foreign debtor totally unfamiliar with the
23 Chapter 11 process.

24 In addition to the fees that I just indicated to
25 the Court, those were fees for the plan debtors. So A&M

1 played a small role on the Falcon side. So on an interim
2 basis they are requested interim fees for Falcon for \$29,612
3 of which 80 percent would be paid now under the interim
4 compensation order.

5 THE COURT: All right.

6 Let me just ask one question about how Falcon --
7 and that's the entity that has not yet been confirmed -- is
8 going to be treated in terms of fees going forward. You
9 mentioned some pieces of that already and you just mentioned
10 part of it now. Is there anything else to fill out the
11 Falcon picture about how things are going to work going
12 forward?

13 MR. ROSENTHAL: No. The Falcon case is still in
14 Chapter 11. The Falcon case will still be governed by the
15 interim compensation order. The Falcon professionals will
16 comply with that order and will be paid from -- from Falcon
17 as set in the order.

18 THE COURT: All right. Thank you.

19 All right. Anything from the U.S. Trustee's
20 Office on the applications of Alvarez & Marsal?

21 MR. MORRISSEY: Your Honor, the objection sets
22 forth what the minor issues were. They have been resolved.
23 The U.S. Trustee has no objection.

24 THE COURT: All right.

25 Anyone else who wishes to be heard on the

1 applications of Alvarez & Marsal?

2 All right. I don't see anyone standing to object
3 and I -- I would note at this point it was unclear -- just
4 to make sure the record is clear. The other objecting
5 party, Captain Hani Alsaheimi, is -- doesn't appear to be
6 objecting to any of the specific items requested in these
7 fee applications and, in fact, counsel for that party is not
8 in the courtroom and hasn't been since we started discussing
9 the individual fee applications.

10 I will grant the requested fee applications as
11 modified here today in connection with the U.S. Trustee
12 objection, which has been resolved, and obviously their
13 involvement is -- just like Gibson Dunn it was invaluable to
14 the case, particularly given the challenges of an overseas
15 debtor, one of which has already been specifically mentioned
16 which is getting money in -- managed in a way that made it
17 subject to the obvious jurisdiction of this Court in New
18 York. And so those are some of the -- one of the important
19 challenges.

20 So I will grant those applications.

21 MR. ROSENTHAL: Thank you, Your Honor.

22 The next application is the application of King &
23 Spalding. I believe Paul Ferdinands is participating --
24 from King & Spalding is participating by telephone.

25 Your Honor, here again King & Spalding had a dual

1 role. They were special counsel to the plan debtors and
2 they had -- had a key role in the Falcon litigation with
3 respect to Tide.

4 On the plan debtor side, they're seeking final
5 approval of fees of \$1,515,273.49 and expenses of
6 \$14,557.59. This does reflect a -- an agreement with the
7 U.S. Trustee about a reduction.

8 THE COURT: All right. And what --

9 MR. ROSENTHAL: And I don't have the --

10 THE COURT: -- what's the amount of -- do you
11 recall the amount of the reduction?

12 MR. ROSENTHAL: I think it's -- I have \$3,800.
13 Mr. Morrissey may have more on that. \$3,830.61 is what I
14 have.

15 MR. MORRISSEY: Well, Your Honor, there was -- and
16 counsel to King & Spalding is on the phone.

17 There is a bifurcation --

18 MR. ROSENTHAL: Right.

19 MR. MORRISSEY: -- of the reduction --

20 THE COURT: Right.

21 MR. MORRISSEY: -- which -- between the two --

22 THE COURT: Okay.

23 MR. MORRISSEY: -- between the two debtors or sets
24 of debtors.

25 MR. ROSENTHAL: I think it works out to \$20,000 in

1 the aggregate, but --

2 THE COURT: All right.

3 MR. ROSENTHAL: -- you'll see it when we get to
4 the Falcon side.

5 THE COURT: All right.

6 MR. MORRISSEY: Yes, Judge.

7 THE COURT: Well, you know what? Then I'll let
8 him go through the numbers which are the bottom line what's
9 being requested as -- as modified and then you can -- you
10 can follow up. I probably jumped the gun a little bit.

11 So let me -- let me hear what -- the rest of the
12 information about King & Spalding.

13 MR. ROSENTHAL: Yes, Your Honor.

14 And on the -- on the Falcon side they're seeking
15 interim approval for the fourth interim period of
16 \$2,912,743.61 which reflects approximately a \$16,000
17 reduction. The total reduction was \$20,000 that was
18 allocated between their work for the plan debtors and their
19 work for Falcon.

20 And they're seeking a release of a small holdback
21 from the third period of about \$39,000 and payment,
22 obviously pursuant to the interim procedures, of 80 percent
23 of the -- of the fees and expenses for the fourth period.

24 THE COURT: All right.

25 Anything from the U.S. Trustee?

1 MR. MORRISSEY: Your Honor, I believe once again
2 Mr. Rosenthal has it right. The U.S. Trustee has no
3 objection.

4 THE COURT: All right. Anyone else wish to be
5 heard in connection with the requests of King & Spalding?

6 All right. I will grant these requests as well
7 consistent with the work done in the case as well as my
8 familiarity with the Falcon litigation with Tide and the
9 activities that have gone on in that litigation.

10 MR. ROSENTHAL: Thank you, Your Honor.

11 Next, Your Honor, is the application of
12 Rothschild. Bernard Doughten (ph) is present in the
13 courtroom.

14 Again, I want to emphasize the importance of
15 Rothschild to this process. They were invaluable throughout
16 in helping structure the plan, raise -- you know, raise
17 funding and -- and make sure that the debtors successfully
18 reorganized.

19 Their fee request, Your Honor, includes a
20 component, as the Court recalls when you approved the
21 engagement, a component for a new capital fee and a
22 component for a transaction fee.

23 The transaction fee component is \$4,950,000 and
24 the new capital fee is \$2,625,000. The total fees, which
25 include those two I just mentioned, are \$10,273,387.10, and

1 expenses of \$751,412.78. This reflects approximately a
2 15,000 expense reduction based on the U.S. Trustee's
3 comments. And the estimate is that the amount paid from the
4 escrow -- and I have the exact number, but it's -- it's
5 roughly \$6.8 million, Your Honor. And that money has been
6 preserved.

7 THE COURT: All right. Anything from the U.S.
8 Trustee in connection with the Rothschild application?

9 MR. MORRISSEY: Your Honor, we believe that
10 Rothschild did, in fact, earn both the new capital fee and
11 the transaction fee based on the facts and circumstances of
12 the case, and Mr. Rosenthal is correct on his numbers with
13 respect to the small reduction in expenses.

14 THE COURT: All right. Anyone else who wishes to
15 be heard in connection with the Rothschild?

16 MR. FLECK: Your Honor, Evan Fleck on behalf of
17 the creditors' committee. I -- I rise in support of the
18 application of Rothschild. I thought it was appropriate, on
19 behalf of the committee, to speak in support of the
20 application at this time given that we did spend a
21 significant amount of time in the beginning of the case on
22 the committee's behalf working with Rothschild to try to
23 structure a compensation arrangement that was appropriate
24 for the cases.

25 We believe that the request is consistent with

1 that arrangement and the committee is supportive of the
2 application.

3 THE COURT: All right. Anyone else who wishes to
4 be heard?

5 All right. I will grant the applications of
6 Rothschild. I agree with the parties that I think both of
7 the fees that have been earned, the transaction fee and the
8 new capital fee. So I will grant it consistent with the
9 changes set forward here today in response to the U.S.
10 Trustee objection, which I think specifically is the
11 estimated expenses and some -- some minor things related to
12 (indiscernible).

13 Thank you.

14 MR. ROSENTHAL: Thank you, Your Honor.

15 Next, Your Honor, is Ernst & Young. I believe
16 Michael Riela is here. Yeah.

17 Your Honor, Ernst & Young requests fees in the
18 amount of \$1,503,875 and my understanding is that the U.S.
19 Trustee has no -- has not proposed any reductions to this
20 fee.

21 THE COURT: All right. Anyone wish to be heard in
22 connection with the application of Ernst & Young?

23 All right. Based on the information that's
24 presented to me in the application as well as the support of
25 the committee and the debtors, I find the request to be

1 appropriate and I will grant it.

2 MR. ROSENTHAL: Thank you, Your Honor.

3 The next application, Your Honor, is the
4 application of Linklaters. Your Honor, there's been a lot
5 of work done and court time spent on Linklaters. Richard
6 Good from Linklaters is participating by telephone.

7 This relates to the work that was done by
8 Linklaters as special counsel to the debtors. The work that
9 they did in connection with the Yerlog transaction and the
10 like was the subject of some motions to authorized use of
11 funds, but they were not retained by the debtors directly
12 for that --

13 THE COURT: All right.

14 MR. ROSENTHAL: -- for that.

15 Your Honor, with respect to this application,
16 Linklaters seeks fees of \$512,925.28 and expenses of
17 \$3,029.19. The fees reflect a reduction of \$45,000 to
18 account for some issues that were raised by the U.S. Trustee
19 and by the committee.

20 The result, Your Honor, here is an interesting
21 one. Linklaters has already received \$552,000. So that
22 exceeds the total amount of the fee request. As a result,
23 there is a deficiency of about \$37,000 which Linklaters will
24 repay to the -- to the reorganized debtors.

25 THE COURT: All right.

1 Anything from the United States Trustee on the
2 Linklaters' application?

3 MR. MORRISSEY: No, Your Honor. In light of the
4 \$45,000 reduction, the U.S. Trustee has no objection.

5 THE COURT: All right. Anything from the
6 committee? I mention you because you were specifically
7 identified just a second ago.

8 MR. FLECK: Yes, Your Honor. The same is true for
9 the committee. We appreciate that Linklaters worked with us
10 constructively to reduce the fees to reflect some areas of
11 concern for the committee and --

12 THE COURT: All right.

13 MR. FLECK: -- we're comfortable with the
14 reduction and support the application.

15 THE COURT: Thank you.

16 Anyone else wish to be heard in connection with
17 the Linklaters' application?

18 All right. I will grant that request as modified
19 and memorialized here today based on the concerns of the
20 U.S. Trustee's Office and the committee, and in the amounts
21 that is set forth here today.

22 MR. ROSENTHAL: Your Honor, the next application
23 is the application of Trowers & Hamblins. Cate Barbour is
24 present by telephone.

25 Trowers was one of two firms. If you recall there

1 was another firm that -- the Shakihiya (ph) firm that were
2 very instrumental in providing in-country Bahrain legal
3 advice which was extremely important for a number of reasons
4 in this case.

5 Trowers' request fee -- the Hiya (ph) application
6 is not up today, so that will be up at the next fee hearing
7 which I think will be on November 21st.

8 The fees requested are \$460,079.75 and expenses of
9 \$2,054.84 which reflect a voluntary reduction of \$6,371.15,
10 all of which will be paid from the escrow.

11 THE COURT: All right. Anything from the U.S.
12 Trustee's Office as to this application?

13 MR. MORRISSEY: Your Honor, there's no objection
14 to the Trowers & Hamlins' fee application. But I thought I
15 might interject at this point a general statement, which is
16 that since not all of the fee applications in the case are
17 being heard today, I should make a comment about that.

18 There's -- that's not traditionally the way we do
19 things, but obviously the U.S. Trustee is not objecting
20 here. The concern for the remainder of the fee
21 applications, though, is that we certainly hope that the
22 debtors' counsel, committee counsel will endeavor to ensure
23 that there's no duplication among the various firms in the
24 case, whether their applications are being heard today or
25 not. So, hopefully, that's something that will be avoided

1 in the future.

2 But as to this particular application that's on
3 for --

4 THE COURT: All right.

5 MR. MORRISSEY: -- on for today, the U.S. Trustee
6 has no objection.

7 THE COURT: All right. And I assume probably the
8 trigger for you making that comment is the fact that there's
9 more than one special counsel that dealt with Bahraini law
10 issues.

11 MR. MORRISSEY: Yes, Your Honor.

12 THE COURT: And so I remember, although not all
13 the details, the discussion generally about the distinction
14 between the two firms. So I trust that that's something
15 that will be addressed in the context of the next hearing
16 just to make sure that everyone has their ducks in a row.

17 MR. ROSENTHAL: That's correct, Your Honor.

18 THE COURT: All right. Anyone else who wishes to
19 be heard with the application of Trowers & Hamlins?

20 All right. I will grant the request as has been
21 modified with the reduction that addresses the concerns of
22 the U.S. Trustee's Office and obviously will take very
23 seriously the concerns about duplication. But I trust
24 they'll be addressed when the other special counsel
25 providing Bahraini law advice, their application comes up in

1 November.

2 MR. ROSENTHAL: Absolutely.

3 THE COURT: Thank you.

4 MR. ROSENTHAL: And the final -- the final debtor
5 professional that's up today, Your Honor, is GCG. Craig
6 Johnson is in the courtroom.

7 They are requesting fees of \$289,306.10 and
8 expenses of \$4,921.94. There was a request for -- by the
9 U.S. Trustee for a reduction and there's been a very small -
10 - a small reduction, \$726.39. Remaining to be paid from the
11 escrow is \$58,490.90.

12 Now I -- I will say that GCG will continue its
13 work, you know, on a post-effective date basis for things
14 related to claims for the plan debtors and with respect to
15 the Falcon debtor for noticing procedures.

16 THE COURT: All right.

17 All right. Anything from the U.S. Trustee in
18 connection with this application?

19 MR. MORRISSEY: No, Your Honor. No objection.

20 THE COURT: All right. Anyone else wish to be
21 heard in connection with this application?

22 All right. I will grant the application as
23 modified here today understanding that they are going to
24 continue to do the work as -- as described by Mr. Rosenthal.

25 All right.

1 MR. ROSENTHAL: Your Honor, I will turn the podium
2 over to Mr. Fleck again.

3 THE COURT: Thank you.

4 MR. FLECK: Thank you, Your Honor. Just three
5 applications with respect to the committee for today. And
6 I'm -- I'm going to, with Your Honor's permission, just not
7 go through the narrative portions that are contained in the
8 respective applications that goes to the work of the
9 professionals and I'm going to keep it streamlined.
10 Obviously, I'll answer any questions.

11 The first one is Agenda Item Number 8. It's
12 Docket Number 1605. It's the fourth interim and final fee
13 application of Milbank Tweed, having been employed on behalf
14 of the official committee of unsecured creditors.

15 Your Honor, I would like to say that the work of
16 Milbank Tweed as well as the other committee professionals
17 speaks to the commitment of the members of the committee
18 that were appointed in this case by the Office of the United
19 States Trustee. They were -- obviously, they were unpaid
20 for their service as in all cases, but they were deeply
21 committed to the mission of having these cases resolve
22 themselves in an appropriate fashion.

23 And I -- and I mention it today not only because
24 this is sort of a celebration of the end of the cases in
25 some respects, but also because it speaks to the fees that

1 -- frankly that were incurred in connection with service to
2 the committee. The committee took a very active role in the
3 cases and, therefore, used the services of its professionals
4 appropriately, but to a significant extent. And I think
5 that's reflected in the applications, particularly with
6 respect to the applicants that are hourly.

7 We're going to speak to three applications today,
8 as I said, and the first is Milbank Tweed.

9 Your Honor, we are requesting, respectfully, that
10 the Court approve final fees in the amount of \$23,536,582,
11 that's in fees on account of nearly 33,000 hours of attorney
12 and paraprofessional time.

13 I want to specifically mention the fourth entry
14 period which was particularly active in the cases. That
15 period of time, from April through September 17th, accounts
16 for nearly \$10 million of the fees. That was 13,000 hours
17 of attorney and paraprofessional time.

18 Your Honor, we're also seeking reimbursement for
19 our appropriate expenses incurred in connection with service
20 to the committee. That totals \$541,405.22.

21 Your Honor, these amounts reflect reductions taken
22 at each of the interim periods that we've discussed on the
23 record at the time that those amounts were approved.

24 With respect to the fourth interim period,
25 internally we -- Milbank took a reduction in consultation

1 with the committee of approximately \$175,000 in fees. There
2 was not a reduction in expenses, but \$175,000 in fees.

3 In response to the objection that was filed to the
4 -- by the Office of the United States Trustee, Milbank has
5 accepted a further reduction with respect to fees and a
6 reduction of expenses. The fee reduction is \$37,637 and the
7 expense reduction is \$3,721.86.

8 The nature of the objection from the United States
9 Trustee went to overtime, taxis and meals for professionals
10 who were working less than four hours on a particular day,
11 transitory timekeepers for attorneys and paraprofessionals
12 who had limited time that they were working on the case, as
13 well as time spent complying with the guidelines of the
14 United States Trustee's Office.

15 In order to resolve those objections without
16 having a litigation we reached a resolution, the one that I
17 just mentioned on the record. We do believe that those --
18 those individuals made significant contributions to the
19 case, but it makes the most sense and is appropriate to have
20 taken the reduction.

21 Your Honor, and with that we would request that
22 the Court approve the application with the reductions that I
23 just mentioned on the record.

24 THE COURT: All right. Mr. Morrissey.

25 MR. MORRISSEY: Your Honor, the resolution of the

1 U.S. Trustee's objection was accurately stated by Mr. Fleck
2 and the U.S. Trustee has no objection to the application
3 with the numbers described by Mr. Fleck.

4 THE COURT: All right.

5 Anyone else wish to be heard?

6 All right. I will grant the request of Milbank as
7 modified and described here this morning by Mr. Fleck.
8 Certainly, the attorney fees here for the committee are
9 considerable, but based on my personal experience and the
10 amount of conversations the Court has had with the committee
11 in this case about pretty much every detail -- and I don't
12 mean that in a pejorative sense. I mean that in the
13 complimentary sense of working hand in hand with all the
14 parties to reach a good result in a case that had many
15 issues. I think it is an appropriate application.

16 So I will grant it.

17 MR. FLECK: Thank you, Your Honor.

18 The next application for consideration is that of
19 Houlihan Lokey Capital, Inc. Houlihan was the financial
20 advisor and investment banker to the committee. This is
21 Docket Number 1607 and Agenda Item Number 9.

22 Perhaps Houlihan would have preferred that it had
23 an hourly retention arrangement in this case because it
24 certainly was called upon to go above and beyond in service
25 of the committee. However, as luck would have it for the

1 creditors, they were retained pursuant to a fixed fee
2 arrangement.

3 Your Honor, Houlihan was at -- involved in every
4 aspect of these cases on behalf of the committee and took on
5 roles even -- that are beyond traditionally assigned to a
6 financial advisor to the committee.

7 Houlihan was retained pursuant to Section 328 of
8 the code and the Court approved a fixed monthly fee
9 arrangement of \$200,000 a month as well as a deferred fee
10 that was negotiated quite heavily by Houlihan's client, the
11 committee that is equal to the sum of \$3 million and 40
12 basis points of the recovery to unsecured creditors set out
13 in the disclosure statement. The committee was keenly
14 focused on recoveries and wanted to be sure that its
15 financial advisors' incentive fee was keyed off of the
16 recovery that its constituency was actually receiving.

17 Accordingly, Your Honor, Houlihan requests
18 approval of \$8,957,600 in total fees, including aggregate
19 monthly fees of \$3.44 million and the deferred fee component
20 that I just described totals \$5,517,600.

21 In addition, Your Honor, Houlihan seeks approval
22 of the reimbursement of its expenses in the case which total
23 \$148,906.34. That -- that amount reflects a reduction taken
24 in order to accommodate the objection from the Office of the
25 United States Trustee. That was \$2,400. That was the full

1 amount sought by the United States Trustee by way of
2 reduction and it was taken by Houlihan Lokey.

3 Mr. Jordan, the managing director from Houlihan
4 Lokey is in the courtroom today and happy to respond to any
5 questions. Absent any questions, though, Your Honor, we
6 would ask that the application be approved on behalf of the
7 committee.

8 THE COURT: All right. Let me hear from the U.S.
9 Trustee's Office.

10 MR. MORRISSEY: Your Honor, the U.S. Trustee has
11 no objection to the fees and as Mr. Fleck said, there was
12 only a small objection to the expenses which has been
13 resolved by the agreed upon reduced amount.

14 THE COURT: All right. Anyone else wish to be
15 heard in connection with this application?

16 All right. I will grant this application which
17 includes both the monthly fees as well as the deferred fee
18 that was key to recovery of creditors.

19 MR. FLECK: Thank you, Your Honor.

20 Lastly in the category of fee application is that
21 of Walkers. This is Docket Number 1610 and Agenda Item
22 Number 12 on the amended agenda. Walkers, as Your Honor is
23 aware, was the Cayman counsel that was selected by the
24 committee and retained pursuant to an order of this Court.

25 Walker is seeking approval of \$657,451 in fees for

1 860 hours of attorney services, and that includes a
2 significant amount of time as well spent in that final
3 period that I spoke of earlier at the time of the plan --
4 the plan process and consummation.

5 Walker is also seeking approval for the
6 reimbursement of expenses in the total amount of \$730.29.
7 The aggregate numbers that are sought and the amounts that
8 are sought by Walkers reflect more than \$2,000 in voluntary
9 reductions taken over the course of these cases as well as a
10 \$965 reduction in fees and \$767 in reduction of expenses
11 that were given in order to accommodate the objection from
12 the Office of the United States Trustee.

13 Mr. Gowrie from the Walkers firm is on the phone
14 and available to answer any questions from the Court. If
15 there are none, we would ask that the application be
16 approved on behalf of the committee.

17 THE COURT: All right. Anything from the U.S.
18 Trustee's Office?

19 MR. MORRISSEY: Your Honor, the U.S. Trustee has
20 no objection.

21 THE COURT: All right. Anyone else wish to be
22 heard?

23 All right. I will grant the application for
24 Walkers as Cayman Island counsel, special counsel to the
25 debtors as -- given the work they performed in the case. I

1 find it to be reasonable under the circumstances.

2 MR. FLECK: Thank you, Your Honor.

3 With your permission I would then like to move to
4 the next category on the agenda, and that's the omnibus
5 claims objections.

6 MR. MORRISSEY: Your Honor, sorry to interrupt,
7 but the U.S. Trustee has no position on the remaining
8 matters and I request permission to be excused.

9 THE COURT: Certainly. Anybody who has no
10 interest in the claims objections and was here for the fees
11 should feel free to move on with the rest of their day.

12 MR. MORRISSEY: Thank you, Your Honor.

13 THE COURT: Thank you.

14 MR. FLECK: Your Honor, this portion of the agenda
15 encompasses Docket Numbers 1049 through 1053 and it's 13
16 through 17 on the agenda.

17 I did want to mention at the outset we -- we've
18 coordinated with your chambers to set some additional
19 omnibus hearing dates and they are relevant to some of the
20 matters we're going to talk about today.

21 I believe we have now set December 17th at 2 p.m.
22 as well as January 21st as omnibus dates and we would -- we
23 were -- we plan to go ahead and file a notice of those dates
24 on the docket today.

25 THE COURT: All right. And that's for the

1 additional matters that are identified on the agenda as
2 going forward in the future.

3 MR. FLECK: That's right, Your Honor.

4 THE COURT: All right.

5 MR. FLECK: We also have -- we have a hearing in
6 November as well, November 21st, and there are matters that
7 are already scheduled in addition to the balance of the fee
8 applications.

9 THE COURT: Right.

10 MR. FLECK: If I may, Your Honor, I would like to
11 refer specifically to the statement that we filed on behalf
12 of the reorganized debtors and the new holding companies
13 that addresses all the matters with respect to claims.

14 THE COURT: Right. Yeah. I have that in front of
15 me. That's Docket 1641.

16 MR. FLECK: Yes, Your Honor. Thank you.

17 So we have certain matters with respect to claims
18 that -- that we intend to go forward with today. For some
19 we're seeking a briefing schedule, and for others we're
20 adjourning, and lastly we're -- we intend to provide the
21 Court with an update with respect to the status of certain
22 matters.

23 THE COURT: Well, let me just ask you, since we're
24 talking about that document, what -- I was -- I was having a
25 little trouble, and I may be missing something,

1 understanding the impact of and the import of paragraph 4
2 and when you're talking about remaining disputed claims and
3 setting a new response deadline. I understand that for
4 certain claims where there was an objection and then there
5 was a response, I think all but one of those, which is the
6 Elite Grand Hotel, those are sort of having their own
7 additional track for further proceedings.

8 And so I was just trying to understand what
9 paragraph 4 is addressing. I was hoping you could
10 straighten me out.

11 MR. FLECK: Yeah. Paragraph -- Your Honor,
12 paragraph 4 is addressing those matters for which we
13 established a new response deadline. And we're prepared to
14 go forward today with respect to the matters that are
15 addressed in paragraph 4 because with the exception of the
16 Elite Grand matter, the other -- the other claimants did not
17 file any responses --

18 THE COURT: All right.

19 MR. FLECK: -- and we're -- we would like to
20 submit an order --

21 THE COURT: So it's essentially -- it was an
22 internal scheduling sort of change over time --

23 MR. FLECK: That's right.

24 THE COURT: -- to get a new date and then you
25 ended up here today. Those are teed up as part of what's

1 ready to go forward today.

2 MR. FLECK: That's right, Your Honor.

3 THE COURT: All right.

4 MR. FLECK: And so in connection with paragraph 4,
5 the reorganized debtors do seek entry of an order
6 substantially in the form annexed as Exhibit 1 which
7 provides for the reclassification, reduction, disallowance,
8 expungement or other modification of those remaining
9 disputed claims. That's indicated on Exhibits A through D
10 to the proposed order.

11 Again, those -- those parties have not submitted
12 any response and we have had status conferences. We're
13 prepared to go forward on those today and we do seek that
14 relief.

15 THE COURT: All right.

16 And so I guess -- let me deal with some of the
17 procedural things first.

18 So for those claims where there has been a
19 response and then there's a need for future proceedings and
20 as explained in your statement, you are seeking a scheduling
21 order to tee them up at particular times and on particular
22 schedules. And I assume this is after consultation with
23 each of the folks who filed any -- any response to the
24 objection.

25 MR. FLECK: Yes, Your Honor. In some -- in some

1 cases where there's been no contact with the other party and
2 we're seeking an adjournment, we're just -- we're seeking --
3 we're moving that to a subsequent hearing date --

4 THE COURT: All right.

5 MR. FLECK: -- as well.

6 THE COURT: That's fine. So anyone who wishes to
7 be heard in relation to the scheduling aspect of it?

8 All right. I don't see anyone rising to be heard.
9 So I -- I'm fine with the way you plan to proceed with those
10 claims that are set forward in your statement that -- where
11 further proceedings are suggested, I guess, your paragraphs
12 5 through 9.

13 All right. So then moving onto the merits, there
14 is no response to any of the claim objections by the other
15 parties except Elite Grand Hotel and those are the matters
16 that are identified in your agenda saying this matter is
17 going forward with respect to proofs of -- the various
18 proofs of claims.

19 MR. FLECK: That's correct, Your Honor.

20 THE COURT: All right. All right. Let me ask --
21 and I'm going to -- given that the argument is that there
22 hasn't been a response. So putting aside the Elite Grand
23 Hotel, all those matters where there hasn't been a response,
24 is there anybody here who wishes to be heard as to any of
25 those claims objections?

1 All right. I have only one problem with them and
2 I suppose it's -- it's the former trial lawyer in me that
3 just -- that rears his head.

4 Is -- and I guess someone could say it's -- it's a
5 formula A (sic). But I certainly have your position. I
6 have your charts. I have all of that. But what I don't
7 have is evidence. So I need a declaration that essentially
8 adopts the position that you set forth. And I know it's a
9 bit of some might say window dressing, but given that a
10 claim was prima facie valid, it -- the response then has to
11 be evidence that a Court can rely on and say you've rebutted
12 any prima facie validity or explain why it's not prima facie
13 valid. And there's been no further response so I can --
14 using your evidence I can grant your claims objection.

15 So what I would like to do -- and, again, I think
16 all the information is here, but it's the distinction
17 between arguably lawyer argument and evidence. So -- and I
18 do this consistently.

19 So what I -- what I would like to do is just get
20 that declaration from you that essentially, in whatever form
21 you think is appropriate and I certainly trust you -- you'll
22 come up with the right answer on that. But to give me that
23 as evidence so that I can rely upon it in granting your
24 requested objections.

25 MR. FLECK: Your Honor, I just have a

1 clarification question because I -- we did submit
2 declarations in connection with those original objections.
3 So there are declaration on file --

4 THE COURT: Oh, you did? Okay.

5 MR. FLECK: So -- that went to the -- because
6 these were all the product of omnibus objections that have
7 been filed before the Court. So there were supporting
8 declarations --

9 THE COURT: See, when I look -- when I looked at
10 the papers that I had I saw charts and so I didn't see -- so
11 it may be that there may be something in the record, and if
12 I missed it in the voluminous four-volume extravaganza, feel
13 free to point it out to me, or if it's somewhere else in the
14 record.

15 MR. FLECK: All right. My understanding is that
16 there are -- that there are declarations. I need to -- I
17 need to look at my -- I have --

18 THE COURT: Well --

19 MR. FLECK: -- I have a --

20 THE COURT: -- that's fine. Here's what we'll do
21 is I don't think it's productive to do it now. Contact my
22 chambers. If you can identify them, I will grant it subject
23 to identification of those declarations that's -- that
24 provide me with the evidentiary basis to grant these
25 objections. And if for some reason that isn't the case,

1 then you can feel free to just file those and we can then
2 adjourn them.

3 But if there is an evidentiary basis, meaning that
4 there is evidence that -- that backs up -- you know, again,
5 there's plenty of reasons provided, but I just think it's --
6 while it is a distinction that occasionally can look overly
7 persnickety, it is an important one in terms of evidence
8 versus lawyers' representations about things.

9 So just call my chambers and let me know so I will
10 grant it subject -- subject to the existence of declarations
11 which either are already on the record or are soon to come.

12 And I -- so I think that leaves the Grand Hotel;
13 is that right?

14 MR. FLECK: It -- if I may, Your Honor, because I
15 know counsel is here --

16 THE COURT: Sure.

17 MR. FLECK: -- from (indiscernible) and that's the
18 pin ultimate bullet on paragraph 5. We've agreed
19 specifically that the scheduling for that matter -- and this
20 will be in the order. But we've agreed specifically and I
21 think counsel would like it mentioned that that matter will
22 proceed at the December -- on the December 17th calendar.

23 THE COURT: Oh, okay. So that's the second
24 omnibus, that's Claim 517.

25 MR. FLECK: That's right. And with --

1 THE COURT: And the second omnibus objection.

2 MR. FLECK: And with respect to the following
3 bullet, Claim Number 305, Mr. Obgurne (ph), I wanted to
4 update the Court with respect to that matter; that we are in
5 advance settlement discussions with that party. And so
6 while that claim will be in the scheduling -- it will be
7 contemplated in the order for scheduling, it's our
8 expectation that that will be resolved on a consensual
9 basis.

10 THE COURT: All right.

11 MR. FLECK: And lastly, Your Honor, so that --
12 just to draw your attention to paragraph 10 with respect to
13 Claim Number 406, the parties have resolved that matter.
14 There's a -- but the stipulation has not yet been entered
15 because we haven't had this hearing. So we would intend to
16 hand that up to Your Honor as well.

17 THE COURT: All right.

18 MR. FLECK: Hand it up electronically.

19 THE COURT: Yeah. Certainly. That's helpful.

20 MR. FLECK: And with that, I think that does bring
21 us to Elite Grand Hotel.

22 THE COURT: Yes. And I -- you can feel free to
23 add whatever you want, but just to cut to the chase, the
24 argument is that it's a late filed claim. There's a bar
25 date. It's past the bar date. That's, you know, pretty

1 well set forth in your objection. And I took a look at the
2 response and their response is all about the debt. It's
3 nothing about the timing.

4 And given the importance of bar dates to -- in
5 bankruptcy in general and particularly as to large Chapter
6 11 cases that involve many, many parties and sometimes can
7 really take on the feeling of herding cats, bar dates are
8 hugely important. And having been provided with absolutely
9 no explanation as to why the bar date should be excused in
10 this case, despite the fact that Elite Grand provided a
11 response I will grant that objection.

12 It may make sense for you to put that in a
13 separate order just to make it clean because it -- it's --
14 it is one where there was a response and I'm making a
15 specific ruling here from the bench today.

16 MR. FLECK: We'll do that, Your Honor. And thank
17 you.

18 I did want to also mention that this hearing does
19 serve as a status conference for certain claims. As you
20 know, that's required by the claim resolution procedures
21 that have been approved.

22 And so there's not a lot of substance to report in
23 terms of the status, but this does constitute a status
24 conference for Claim Numbers 289 through 294 filed by the
25 Haschem (ph) investors, Claim Number 45 by the National Bank

1 of Bahrain, 255 by Al Barahka (ph) Bank of Tunisia, and
2 Claim Number 236 filed by Combined National Industries
3 Holding Company.

4 As Your Honor would expect, we will continue to
5 try to work with parties to try to reach consensual
6 resolutions. It's certainly economically efficient and in
7 the best interests of the reorganized debtor is to try to do
8 that, and if we're not able to do that we'll carry those
9 forward to a hearing date before Your Honor.

10 THE COURT: All right.

11 MR. FLECK: This hearing was also scheduled to be
12 a status conference in the two adversary proceedings that
13 were commenced by the committee with respect to the
14 placement banks. And on the agreement of the parties,
15 that's going to be adjourned because the committee had
16 consented to grant some additional time for the parties to
17 file their reply papers to the complaint.

18 And so -- and the parties have, I believe, in
19 consultation with chambers, we believed it was appropriate
20 to move that to a date where there's more to talk about at a
21 status conference.

22 THE COURT: No. I saw that and I agree with you
23 that it makes a lot more sense when people are ready to have
24 a conversation, which is not yet.

25 MR. FLECK: Okay.

1 THE COURT: All right. Anything else that we need
2 to address here this morning, now this afternoon?

3 MR. FLECK: Mr. Rosenthal and Gibson Dunn is
4 continuing to handle certain claims in the cases. I don't
5 know if he has anything to add at this point.

6 MR. ROSENTHAL: Very quickly, Your Honor. We're
7 handling a few claims objections with respect to Falcon and
8 a couple that were pending at the time of the -- on the
9 effective date, Captain Hani Alsaheemi's claim that's on sub
10 judice with you. All of these claims objections -- there
11 were four -- have been adjourned to the November hearing.

12 One involved a claimant for whom we modified the
13 automatic stay to allow an arbitration to go forward. There
14 has been an award from the arbitrator. We'll take that up
15 in November. And the other three relate to claims against
16 Falcon that we continue to address and we'll take those up
17 in November.

18 THE COURT: All right. That's fine. Thank you
19 for the update.

20 MR. ROSENTHAL: Thank you very much.

21 THE COURT: All right. Anything else?

22 All right. So what I will then wait for is an
23 order relating -- order or orders relating to fees and then
24 you'll just contact chambers about the declarations and then
25 it -- if, assuming that the conditional grant is a final

1 grant, then I'll wait for orders regarding the grant of
2 those objections that are unopposed.

3 In addition, I will wait for scheduling orders
4 that are -- reflect the proposals set forth in the statement
5 as well as any other agreements that have been reached.

6 MR. ROSENTHAL: Your Honor, can I raise one thing?

7 We --

8 THE COURT: Sure.

9 MR. ROSENTHAL: Some of us are very interested in
10 seeing if we can have the compensation order entered and
11 make draws on the professional claims escrow before the end
12 of our calendar years, our fiscal years if you will, which
13 is October 31st.

14 So we're going to work very hard to try to get the
15 order to the Court so that it can be -- it can be entered
16 and --

17 THE COURT: Well, today is the 24th, so I would
18 think that you -- that shouldn't be an issue to get it to me
19 in time. I -- as they say in the Heineken commercial, I'll
20 be here all week.

21 So just get it to me and I'll get it entered.

22 MR. ROSENTHAL: And we would like to include a
23 provision that the order is effective immediately, you know
24 --

25 THE COURT: Excuse me.

1 (Pause)

2 THE COURT: Yeah. As soon as you get it to me, if
3 I find it acceptable, I'll sign it. I -- the voice
4 whispering reminds me that in light of the continuing joy
5 that is sequestration I can't keep people here past hours
6 that -- that -- which used to never be a problem.

7 So you have to just work that into the equation.

8 MR. ROSENTHAL: We're --

9 THE COURT: We used to do that at all sorts of
10 strange hours, but we have a lot less flexibility that way.
11 So --

12 MR. ROSENTHAL: Understood.

13 THE COURT: We're going to get Milbank working as
14 hard as they can on these.

15 (Laughter)

16 MR. ROSENTHAL: Thank you, Your Honor.

17 THE COURT: All right. Thank you.

18 (Whereupon, these proceedings were concluded at 12:22
19 p.m.)

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Doc. #1607 (HOULIHAN LOKEY) Application
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Doc. #1597 (KING & SPALDING) Application
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King & Spalding, LLP and King & Spalding
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Attorney, period: 3/19/2012 to 9/17/2013,
fee: \$37,984,590.7, expenses: \$816,811.75

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C E R T I F I C A T I O N

I, Sherri L. Breach, CERT*D-397, certified that the foregoing transcript is a true and accurate record of the proceedings.

Sherri Breach

Digitally signed by Sherri Breach
DN: cn=Sherri Breach, o=Veritext,
ou, email=digital@veritext.com,
c=US
Date: 2013.11.06 15:48:00 -05'00'

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AAERT Certified Electronic Reporter & Transcriber

CERT*D-397

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Date: November 6, 2013