

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

Case No. 08-10152-jmp

- - - - -x

In the Matter of:

QUEBECOR WORLD (USA), INC.,

Debtor.

- - - - -x

United States Bankruptcy Court  
One Bowling Green  
New York, New York

March 20, 2008

11:09 AM

B E F O R E:  
HON. JAMES M. PECK  
U.S. BANKRUPTCY JUDGE

1 FINAL HEARING re Motion filed by the debtors for an order (A)  
2 Authorizing the debtors to continue to pay and honor certain  
3 pre-petition claims for (I) wages, salaries, employee benefits  
4 and other compensation, (II) withholding and deductions and  
5 (III) reimbursable expenses (B) Authorizing the debtors to  
6 continue to provide employee benefits in the ordinary course of  
7 business; (C) authorizing the debtors to pay all related costs  
8 and expenses and (D) Directing banks to receive, process, honor  
9 and pay all checks presented for payment and electronic payment  
10 requests relating to the forgoing.

11  
12 HEARING re Motion filed by the debtor for entry of an order  
13 authorizing further extension of time to file schedules of  
14 assets and liabilities and statements of financial affairs.

15  
16 HEARING re Motion filed by the debtor for entry of an order  
17 authorizing the debtors to pay and honor certain pre-petition  
18 amounts due under the management incentive plans and to  
19 continue the plans in the ordinary course of business.

20  
21  
22  
23  
24  
25

1 HEARING re Motion filed by the debtor for entry of an order  
2 authorizing the debtors to assume agreement with Bank of  
3 America, N.A. to provide employee purchase cards or in the  
4 alternative authorizing the debtors to re-establish agreement  
5 with Bank of America, N.A. to provide employee purchasing  
6 cards.

7  
8 HEARING re Second motion filed by the debtor for entry of an  
9 order authorizing the debtors to pay and honor certain pre-  
10 petition claims for sales commissions.

11  
12 HEARING re Motion filed by the debtor for entry of an order  
13 authorizing but not directing the debtor to pay minimum funding  
14 contributions due to the debtors' defined benefit plans.

15  
16 HEARING re Debtors' first omnibus motion for an order  
17 authorizing the rejection of certain unexpired real property  
18 leases.

19  
20 HEARING re Motion filed by the debtor to assume an executory  
21 contract with Goss International Americas, Inc. for One (1)  
22 Universal 45 four-high tower add on with related equipment.

23  
24  
25

1 HEARING re Motion filed by the debtors to assume an executory  
2 contract with SIM Products, Inc. for purchase of co-mailing  
3 equipment.

4  
5 HEARING re Motion filed by the debtor to assume executory  
6 contracts with Maschinenfabrik K. Walter GMBH & Co. KG for two  
7 (2) copper tanks.

8  
9 HEARING re Motion filed by the debtor to assume executory  
10 contracts with Hell Gavure Systems, GMBH & Co. KG for the  
11 purchase of engraving equipment.

12  
13 HEARING re Motion filed by the Official Committee of Unsecured  
14 Creditors for entry of an order authorizing the retention and  
15 employment of Mesirow Financial Consulting, LLC as its  
16 financial advisors, nunc pro tunc to February 1, 2008

17  
18 HEARING re Objection filed to the motion filed by the Official  
19 Committee of Unsecured Creditors for entry of an order  
20 authorizing the retention and employment of Mesirow Financial  
21 Consulting, LLC as its financial advisors, nunc pro tunc to  
22 February 1, 2008.

1 HEARING re Motion filed by the Official Committee of Unsecured  
2 Creditors for Entry of an order approving retention of  
3 Jefferies & Company, Inc. as investment banker to the  
4 committee, nunc pro tunc to February 5, 2008.

5  
6 HEARING re Objection filed to the motion filed by the Official  
7 Committee of Unsecured Creditors for entry of an order  
8 approving retention of Jefferies & Company, Inc. as investment  
9 banker to the committee, nunc pro tunc to February 5, 2008.

10  
11 HEARING re Motion filed by the debtor for an order authorizing  
12 the retention of Kurtzman Carson Consultants, LLC as  
13 communications agent for the Official Committee of Unsecured  
14 Creditors and approving related agreement, nunc pro tunc to  
15 February 21, 2008.

16  
17 HEARING re Motion filed by Blue Heron Paper Company to allow  
18 recoupment and/or relief from the automatic stay.

19  
20 HEARING re Motion filed by Ecological Fibers, Inc. for  
21 allowance and immediate payment of administrative claim.

22  
23 HEARING re Objections filed to the motion filed by Ecological  
24 Fibers, Inc. for allowance and immediate payment of  
25 administrative claim.

1 HEARING re Motion filed by WCJ Pilgrim Wire, LLC for allowance  
2 of administrative expense claim for goods delivered within  
3 twenty days before the commencement of this case.

4  
5 HEARING re Objections filed to the motion filed by WCJ Pilgrim  
6 Wire, LLC for allowance of administrative expense claim for  
7 goods delivered within twenty days before the commencement of  
8 the case.

9  
10 FINAL HEARING re Motion filed by the debtors for an order (A)  
11 authorizing the debtors to obtain post-petition secured  
12 financing; (B) authorizing the use of cash collateral and  
13 granting adequate protection to pre-petition secured lenders;  
14 and (C) using post-petition financing to purchase receivables  
15 portfolio.

16  
17  
18  
19  
20  
21  
22  
23  
24  
25 Transcribed by: Pnina Eilberg

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

A P P E A R A N C E S :

ARNOLD & PORTER LLP

Attorneys for Debtor

399 Park Avenue

New York, NY 10022

BY: MICHAEL J. CANNING, ESQ.

JOEL M. GROSS, ESQ.

UNITED STATES DEPARTMENT OF JUSTICE

OFFICE OF THE UNITED STATES TRUSTEE

33 Whitehall Street

21st Floor

New York, NY 10004

BY: ANDREW D. VELEZ-RIVERA, ESQ.

1 ALLEN & OVERY LLP

2 Attorneys for Monitor

3 1221 Avenue of the Americas

4 New York, NY 10020

5  
6 BY: KEN COLEMAN, ESQ.

7  
8  
9 AKIN GUMP STRAUSS HAUER & FELD LLP

10 Attorneys for The Official Committee of

11 Unsecured Creditors

12 590 Madison Avenue

13 New York, NY 10022

14  
15 BY: IRA S. DIZENGOFF, ESQ.

16 DAVID H. BOTTER, ESQ.

17  
18  
19 SHEARMAN & STERLING LLP

20 Attorneys for Credit Suisse

21 599 Lexington Avenue

22 New York, NY 10022

23  
24 BY: ANDREW V. TENZER, ESQ.

25

1 LATHAM & WATKINS LLP

2 Attorneys for Royal Bank of Canada

3 233 South Wacker Drive

4 Chicago, IL 60606

5  
6 BY: PETER P. KNIGHT, ESQ.

7  
8  
9 PAUL, WEISS, RIFKIND, WHARTON & GARRISON LLP

10 Attorneys for Ad Hoc Noteholders

11 1285 Avenue of the Americas

12 New York, NY 10019

13  
14 BY: ANDREW N. ROSENBERG, ESQ.

15  
16  
17 BINGHAN MCCUTCHEM LLP

18 Attorneys for Bank of America

19 399 Park Avenue

20 New York, NY 10022

21  
22 BY: ERIN H. MAUTNER, ESQ.

1 RICHARDS KIBBE & ORBE LLP

2 Attorneys for Debtors Conflicts Counsel

3 One World Financial Center

4 New York, NY 10030

5  
6 BY: JOON P. HONG, ESQ.

7  
8  
9 HUGHES HUBBARD & REED LLP

10 Attorneys for PBGC

11 One Batter Park Plaza

12 New York, NY 10004

13  
14 BY: DANIEL S. LUBELL, ESQ.

15  
16  
17 BLAKELEY & BLAKELEY LLP

18 Attorneys for Catalyst Pulp & Paper

19 1000 Quail Street

20 Newport Beach, CA 92660

21  
22 BY: RONALD A. CLIFFORD, ESQ.

1 PENSION BENEFIT GUARANTY CORPORATION

2 1200 K Street NW

3 Washington, DC 20005

4  
5 BY: JOSEPH M. KRETTEK, ESQ.

6  
7  
8 WINSTON & STRAWN LLP

9 Attorneys for Goss International Americas, Inc.

10 200 Park Avenue

11 New York, NY 10166

12  
13 BY: CAREY D. SCHREIBER, ESQ.

14  
15  
16 ARNOLD M. FLANK, LIMITED

17 Attorney for Web Printing Controls Company, Inc.

18 555 Skokie Boulevard

19 Suite 500

20 Northbrook, IL 60062

21  
22 BY: ARNOLD M. FLANK, ESQ.

23 (TELEPHONICALLY)

1 SHOEMAKER LOOP & KENDRICK

2 Attorneys for Packing Corporation of America

3 128 South Tryon Street

4 Suite 1800

5 Charlotte, NC 28202

6  
7 BY: DAVID A. MATTHEWS, ESQ.

8 (TELEPHONICALLY)

9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

## P R O C E E D I N G S

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

THE COURT: Please be seated. Good morning.

MR. CANNING: Good morning, Your Honor. Michael Canning from Arnold and Porter on behalf of Quebecor World (USA) and it's affiliated debtors here in the United States.

Your Honor, we have a number of motions, as you know, a number of matters on the docket for this morning. As a result of some scheduling issues, I think the committee would like to go first, if it's acceptable to Your Honor, with respect to the retention applications.

THE COURT: That's fine. I have no issue with the order that we take this.

MR. DIZENGOFF: Thank you, Your Honor. Good morning. Ira Dizengoff, Akin Gump Strauss Hauer & Feld on behalf of the Official Creditors Committee. We had three retentions that were on, one of which was not objected to, that's the Kurtzman Carson one as the communications agent for the creditors committee. So unless Your Honor has any questions, we'd present that to you at the end of the hearing.

MR. CANNING: I have no questions.

MR. DIZENGOFF: Okay. The second two retentions were one of Jefferies as the investment banker for the Official Creditors Committee and of Mesirow Financial as the forensic accountant and financial advisor to the creditors committee. There was a comment filed by the U.S. Trustee in which we

1 delineated we've already been operating under, which was a  
2 division -- a clear division of labor between the two firms so  
3 that it's pretty clear for the universe what people are doing  
4 and people can understand that there is no duplication. We're  
5 trying to do things as efficiently as possible. So I think  
6 we've resolved that issue with the U.S. Trustee.

7           The ad hoc bondholder group filed an objection.  
8 We've had a number of conversations with them about that  
9 talking about how to streamline the process, how that groups  
10 can effectively work efficiently together so that really we can  
11 avoid duplication, make the case as efficiently -- work  
12 efficiently as possible. We think we have agreement where  
13 they've agreed to drop that objection and -- so the retentions  
14 can go forward on an uncontested basis. I will defer, at this  
15 point, to Andy Rosenberg who's here for the bonds if he has any  
16 further comments on that. And then, if Your Honor has any  
17 questions about those retentions.

18           MR. ROSENBERG: I'm Andy Rosenberg, Paul Weiss  
19 Rifkind Wharton & Garrison for the ad hoc noteholders. Yes,  
20 we've had extensive conversations. I believe we've reached an  
21 understanding as to how have the process go forward that we  
22 have some manageable division of labor and avoid duplication of  
23 fees and duplication of efforts. And with that we withdraw our  
24 objection.

25           THE COURT: All right. I don't -- I don't want to

1 open an issue that's already been closed by the parties by this  
2 question but other than conversations and a general  
3 understanding as to how this is going to work, is there a  
4 contemplated protocol or writing that sets forth the respective  
5 responsibilities of the retained professionals?

6 MR. DIZENGOFF: Your Honor, it's not reduced to a  
7 writing. Generally speaking, you know, our firm as the  
8 Official Creditors Committee counsel and Paul Weiss have a very  
9 good working relationship in Calpine and in a number of other  
10 cases where we were the committee and they were a bondholder  
11 group. We've discussed what is critically important to their  
12 constituency.

13 I've assured Mr. Rosenberg and Mr. Kornberg that they  
14 will be at table with us. That we will not -- it doesn't make  
15 sense for anybody to try and negotiate a plan of reorganization  
16 without your major constituencies actually telling you what  
17 works for them or not. So in terms of dividing up things we  
18 decided, you know, we'll work together, we'll streamline  
19 things, it'll be very efficient. It's not reduced to a  
20 writing. We're all, you know, professionals and been around  
21 the block a number of times. We expect that this will be a  
22 very, very efficient process.

23 THE COURT: Fine, as long as the parties are  
24 satisfied with what they've agreed to I'm certainly not going  
25 to suggest it needs to be done a different way. I was just

1 wondering the level of detail that you've developed and it  
2 sounds as if it's more of a don't worry about it, you'll be at  
3 the table and we're not going to duplicate responsibilities  
4 because we're all in this together.

5 MR. DIZENGOFF: Correct.

6 MR. CANNING: Or something to that effect.

7 MR. DIZENGOFF: Okay. Your Honor, at the end of the  
8 hearing I'll hand these orders up.

9 THE COURT: That's fine.

10 MR. DIZENGOFF: Thank you very much.

11 MR. CANNING: Your Honor, I would propose I will just  
12 simply take the matters as they are listed in the final agenda  
13 that we filed with the Court yesterday.

14 The first motion we had on the calendar for today,  
15 Your Honor, is a final hearing on the debtors' motion for  
16 authorization to continue to pay wages and salaries and  
17 employee benefits, withholdings and deductions and reimbursable  
18 expenses.

19 As Your Honor will recall, this motion was part of  
20 our first day hearing when we sought authority, particularly,  
21 to pay employees their pre-petition wages and benefits. We  
22 scheduled the hearing and the entry of the final order for  
23 February 21st. At that time the committee had asked to have  
24 additional time to complete their due diligence of the various  
25 programs and benefits that were outlined in the motion with

1 respect to employees. There was an extensive list and they  
2 wanted additional time to be granted, we've granted that time.  
3 The committee professionals have worked with the debtors'  
4 professionals and with representatives of the debtors to  
5 complete their review of all of those programs and all other  
6 requests that we made pursuant to the first -- the first day  
7 motion and they have, to my understanding, no objections.

8 So we'd like to go forward and see if we can have the  
9 Court enter the final order today approving that motion in all  
10 respects.

11 The order that was submitted in connection with the  
12 first day motion is the same as it was then. There have been  
13 two small modifications really for clarification. There was --  
14 the way the motion was set forth when there was approval in the  
15 order for all of the employee benefits there was a reference to  
16 Workers Compensation and there was a reference to severance pay  
17 that also had paragraphs that were outside of the headings of  
18 employee benefits. So we simply just added a sentence in two  
19 places in the order to make it clear that the Workers Comp and  
20 the severance programs are also included in the employee  
21 benefits that are included.

22 And other than that, we would ask the Court to  
23 approve the motion.

24 MR. BOTTER: Good morning, Your Honor. David Botter,  
25 Akin Gump Strauss Hauer & Feld on behalf of the committee.

1 Mr. Canning is correct. This is, effectively, a typical  
2 employee wages and benefits motion. As you'll see at number 3,  
3 with respect to any types of incentive compensation today or in  
4 the future with respect to the US employees, we've instructed  
5 the debtor that we'd obviously like to bring that back before  
6 Your Honor.

7 So with that, we have no objection to the entry of an  
8 order with respect to this motion.

9 THE COURT: Fine. I'll enter the order.

10 MR. CANNING: And Your Honor, with respect to  
11 submission of the final orders, I again, will wait till the end  
12 of the hearing if that's acceptable and we'll --

13 THE COURT: Yes, please do that.

14 MR. CANNING: -- do it all at once.

15 Your Honor, the second motion that's on the agenda  
16 today is the motion submitted by the debtors to extend the time  
17 within which to file their schedules of assets and liabilities  
18 and statements of financial affairs.

19 Once again, this was a motion that we filed on the  
20 first day of the case. At that time we advised the Court, as  
21 you'll recall, that we really thought this was going to be a  
22 fairly extensive process given the number of debtors and the  
23 magnitude of the undertaking. But at the request of the U.S.  
24 Trustee we initially asked for only a thirty day extension and  
25 indicated we would then come back when we had, sort of, a

1 better handle of what the process was really going to take.

2 The debtors have been working diligently on that  
3 process and I think we've made considerable steps to getting  
4 all that information pulled together. And we have determined  
5 that we'll need an additional ninety days, in addition to the  
6 thirty days we had originally requested, bringing the outside  
7 date now to June 4th. And we've, again, discussed that with  
8 the committee and we've made that information available to the  
9 U.S. Trustee. And I think all parties have agreed with the  
10 debtors that that's an appropriate amount of time that we'll  
11 need to complete the effort.

12 So with that, Your Honor, we would also ask that the  
13 Court enter an order allowing us to further extend the time to  
14 prepare our schedules of assets and liabilities and statement  
15 of financial affairs to June 4th.

16 THE COURT: Yes, I will enter that order.

17 MR. CANNING: The next matter, as Mr. Botter alluded  
18 to, is the motion that the debtors have filed to honor and pay  
19 certain pre-petition amounts that are due and owing under the  
20 company's regular management incentive plans. And the debtors  
21 have two of those plans, Your Honor. One is the -- what's  
22 referred to as the MICP, which is the management incentive  
23 compensation plan which is available to more senior managers.  
24 And then what we call the PBIP which is the plant based  
25 incentive plan.

1           In both cases the company establishes certain  
2 criteria at the beginning of each year with respect to each of  
3 the employees who are qualified under those plans. With  
4 respect to the management incentive compensation plan, they  
5 tend to be more financial targets based upon EBITDA achieved by  
6 a particular group or a particular division over the course of  
7 the year.

8           With respect to the PBIP, it tends to be in addition  
9 to an EBIT test. There's also some other factors that are more  
10 applicable to plant operations and those include productivity,  
11 quality, health and safety and capacity.

12           There's an aggregate of about 586 employees who are  
13 eligible under the plans. For 2007, 376 of those individuals  
14 actually met their performance criteria both at the  
15 organizational level as well as some of their personal criteria  
16 that were established. And so, what we're seeking today is  
17 authority to pay those earned amounts for the second half of  
18 2007 to those 376 employees.

19           The other thing I would add is, and this goes to  
20 Mr. Botter's point, the original motion also sought authority  
21 to continue those plans on a going forward basis in 2008.  
22 Although most of the performance criteria and the numbers that  
23 might be available has been identified by the company, for  
24 example the bonuses typically are a percentage of their annual  
25 compensation, the actual performance criteria that each of the

1 eligible employees would have to hit in order to earn their  
2 bonus has not yet been locked in. And so the debtors have  
3 agreed that it's appropriate to ask the Court to adjourn the  
4 motion as to that part of the request seeking authority for the  
5 2008 plan to go forward. We'll come back to the Court after  
6 the performance criteria have been established and we've had a  
7 full opportunity to vet that with the committee and the U.S.  
8 Trustee. And when that, hopefully, has all been agreed upon  
9 then we would come back to the Court and address that portion  
10 of the motion to Your Honor.

11 THE COURT: Do you have some sense, at this point, as  
12 to how much time we're talking about for the adjournment?

13 MR. CANNING: I think we'd like to adjourn it just to  
14 April 17th for right now, Your Honor, our next omnibus. I mean  
15 that's -- this is an important piece of the compensation  
16 package for these individuals. This is -- it's probably worth  
17 saying that this is not something new. This has been  
18 historically in place for these qualifying employees for many  
19 years and it really is a critical component of their normal  
20 compensation. So there's obviously been a fair amount of  
21 anxiety about this not only with respect to the payment of  
22 their already earned 2007 amounts but also as to the future of  
23 the program. So we're going to work diligently to see if we  
24 can get that done by April 17th. If it takes a little longer,  
25 it takes a little longer. But that's our request today, is

1 that we go out to the 17th.

2 MR. BOTTER: Your Honor, we agree. We do view these  
3 plans as part of regular compensation and just want to get  
4 ourselves comfortable that in fact the 2008 bogies are  
5 appropriate. I think that that will be done quickly. We  
6 certainly don't want to take money out of employees' pockets.  
7 And this is not the type of incentive arrangement that we may  
8 be talking about at some other point in these cases.

9 THE COURT: Is that a suggestion that we may be  
10 talking about some other kind of incentive program later in the  
11 case?

12 MR. BOTTER: We may. We may. But this -- as I said,  
13 this is really the part of regular compensation, certainly with  
14 respect to 2007. This is money that's already been earned by  
15 the employee group and as I said, we don't want to take money  
16 out of people's pockets.

17 THE COURT: Fine. I understand that it -- this is a  
18 consensual motion to provide ongoing compensation to employees  
19 that they have counted on in the past and will be looking to in  
20 the future. And that it's important to the integrity of the  
21 reorganization process that these individuals receive  
22 appropriate incentives and I'm certainly prepared to approve  
23 it.

24 MR. CANNING: Thank you, Your Honor. The next  
25 matter, I think it's number 4 on the agenda, Your Honor, is the

1 debtors' motion to assume a purchasing card agreement with Bank  
2 of America.

3 In summary, Your Honor, this is a program that allows  
4 certain employees to use what's referred to as P-cards or  
5 purchase cards almost like consumer credit cards. The company  
6 uses it in many respects in lieu of petty cash at various of  
7 its plant locations. So that if they need to go down to local  
8 vendors and acquire, you know, supplies and the like, they're  
9 actually able to use this card rather than to pull out petty  
10 cash or get a check or worry about a wire.

11 The plan was frozen pre-petition in early December  
12 because of the concerns that B of A had of the company's then  
13 financial situation. The company spent several weeks before  
14 the commencement of the case trying to negotiate terms and  
15 conditions under which that would be freed up and available and  
16 as it had been historically, and was not able to do that.  
17 There's about 400 employees who have access to these cards.  
18 Pre-petition there was about 459,000 dollars that was  
19 outstanding that hadn't been paid. Since the commencement of  
20 the case the debtors have continued discussions with Bank of  
21 America and frankly also looked at other alternatives to see if  
22 we could find some alternative provider that we could get in  
23 place quickly enough that would provide the same level of  
24 service and quality that we've historically had with Bank of  
25 America.

1           The debtors have not really been able to find anybody  
2           that would -- that across the board is as good as the program  
3           they currently have. They've been very satisfied with B of A's  
4           quality of service. Economically, the pricing on it is very  
5           good. There's some benefits to the extent that, as you'll  
6           recall from the cash management motion, the debtors used B of A  
7           almost exclusively for their North American cash management  
8           operations. And this, sort of, feeds into that. To pull that  
9           out and try to put that with another lender raises some issues  
10          with respect to things like their lock box account agreements  
11          and things like that.

12          So for a myriad of reasons the debtors have concluded  
13          that it really is in their best interest and the best interest  
14          of the creditors both for operations and other reasons is we  
15          could continue that program with Bank of America.

16          Now you'll note, Your Honor, in our motion we, sort  
17          of, made our request in the alternative. We think that this is  
18          a contract that's assumable by the debtors and B of A has  
19          consented to it. And we have reached agreement on the cure  
20          amount which is the 459,000 dollars. And B of A is satisfied  
21          as to the adequate assurance of the debtors to continue to  
22          perform. And for the reasons I stated, we think it's in the --  
23          it's a good exercise of the debtors' business judgment to have  
24          this assumed.

25          If Your Honor feels to the contrary that perhaps it's

1 a financial accommodation, I can address it on those grounds as  
2 well, as Your Honor would please.

3 THE COURT: Well, it's your record. And it's your  
4 lender. Is B of A here -- represented here?

5 MR. CANNING: Just to add, you're right, Your Honor,  
6 it's our record. Our preference, and I think B of A's  
7 preference, would be to do the assumption but we certainly are  
8 prepared to go forward in the 363 if that's appropriate.

9 THE COURT: Well, first of all I'd like to hear that  
10 B of A consents to the arrangement and that the assumption is  
11 acceptable to B of A.

12 MS. MAUTNER: Erin Mautner, Bingham McCutchen on  
13 behalf of Bank of America, Your Honor. Bank of America does  
14 consent to the assumption of agreement.

15 THE COURT: Let me find out if the committee agrees  
16 that this is an appropriate way to go.

17 MR. BOTTER: Your Honor, this will be a common  
18 refrain for this hearing. While we're normally not in favor of  
19 assumption of contracts, certainly this early in this case or  
20 of, frankly, paying cure amounts. We did substantial diligence  
21 on this issue. Mr. Canning is correct, the benefits that B of  
22 A brings to the table outweigh the detriment of making this  
23 cure and assuming this contract. So we're fine with it, Your  
24 Honor.

25 THE COURT: Given the chorus of support I see no

1 reason to take you through your paces on alternative ways to  
2 approve this and we can approve it on the preferred method  
3 which is an assumption.

4 MR. CANNING: Thank you, Your Honor.

5 MS. MAUTNER: Thank you, Your Honor.

6 THE COURT: Thank you.

7 MR. CANNING: Your Honor, following up on Mr.  
8 Botter's reference to familiar refrains, the next motion to be  
9 heard is the debtors' second motion for approval of payment of  
10 pre-petition sales commissions that are owing to certain  
11 salesmen of the company. You'll remember we referenced this in  
12 our first day hearing and then our hearing on May -- on  
13 February 21st we also sought authority and Your Honor granted  
14 the debtors authority to pay pre-petition sales commissions to  
15 those employees who were entitled to their commissions in  
16 February. These are the sales who are, again, our direct link  
17 to our customers. This represents the commissions that they  
18 earned in the fourth quarter which is typically the best  
19 quarter for sales because of the seasonality of some of the  
20 divisions that we have because of year end catalogues and the  
21 like. And so, for a number of these individuals it represents  
22 a significant component of their compensation.

23 The motion that we have before the Court this morning  
24 relates to the commissions that are due and owing by the end of  
25 this month. Again, it's about 108 employees. Their aggregate

1 amount is about 3,100,000. There is, again, a fair amount of  
2 anxiety among the particular group that we make sure that we  
3 get them paid on a timely basis. So we would ask the Court to  
4 approve this motion.

5 Just as a follow onto that, we had indicated, I  
6 think, at our February hearing that we thought that this would  
7 be the last motion because we were hopeful and I think fairly  
8 confident at the time that they would be able to determine all  
9 of the commissions. Apparently some of the salesmen, to the  
10 extent that they get payment when payment is made by the  
11 vendors to whom the goods were sold, they sort of go hand and  
12 glove, we understand that there's approximately, in the  
13 aggregate, something like 500 to 550,000 dollars worth of  
14 potential commissions that have not yet been resolved and are  
15 not yet ready for payment. And I understand from the company  
16 it may take place over the next several months before the last  
17 payment is, sort of, finally resolved.

18 So just in the way of a heads up, Your Honor, I think  
19 what we're probably going to do for the April 17 hearing is  
20 file a motion that seeks authority to pay those amounts when  
21 determined with a process that says that we've vetted it with  
22 the committee and they've done the due diligence and agree that  
23 it's been properly earned and properly payable. We won't need  
24 to, then, come back through July to continue to bring this  
25 before the Court. So we will be preparing that motion for

1 April 17th at the earliest. Now, that's just by the way of  
2 advance notice.

3 MR. BOTTER: Your Honor, that would be fine with us.  
4 The only question is whether or not Your Honor would entertain  
5 an oral amendment to their motion right now so that we -- so  
6 that Mr. Canning doesn't actually have to file that motion for  
7 April 17th. This is a fairly diminimus amount of payments and  
8 we've been fine with them in the past and I have a feeling  
9 we'll be fine with them in the future.

10 THE COURT: And I'd like the U.S. Trustee's --

11 MR. VELEZ-RIVERA: That'd be fine with me,  
12 Your Honor.

13 THE COURT: I'm certainly not going to stand in the  
14 way of something that saves paper. So if it's acceptable to  
15 the committee and if what this amounts to is a -- an expansion  
16 of the class of those individuals who are benefited by approval  
17 of the arrangement, provided that these individuals are vetted  
18 first to the creditors committee and there's no objection to  
19 having these amounts paid, I see no reason why you can't, on  
20 the basis of the same motion and this record put a provision in  
21 your order that permits that.

22 MR. CANNING: Thank you, Your Honor. We will do so.  
23 Thank you.

24 Your Honor, the next motion up is a motion that the  
25 debtors filed to pay their minimum funding contributions that

1 are due in connection with the debtors' defined benefit  
2 programs.

3 As I think the motion sets out fairly clearly, Your  
4 Honor, the debtor made a payment on January 15th of  
5 approximately 5.1 million dollars, on account of a minimum  
6 funding obligations that the debtor had in the aggregate with  
7 respect to its six defined benefit plans. There was an  
8 additional amount, a little in excess of 4,000,000 dollars that  
9 was due in connection with that payment that the debtors did  
10 not make, frankly, for financial reasons. The debtors have  
11 decided, after reviewing the status of those plans, the current  
12 under funding obligations and the importance of the stability  
13 of the employee workforce and the proceeding the company  
14 addresses their retirement benefits, determined that it was in  
15 the best interest of the debtors and frankly the creditors to  
16 continue making those payments. It also avoids interest and  
17 potential excise tax and lien issues and the like.

18 We sought authority to pay not only the balance of  
19 the January 15th payment but to make payments as they came due  
20 during the pendency of the case. The committee of -- both the  
21 unsecured creditors committee and the ad hoc noteholders  
22 committee and their professionals did an extensive review with  
23 not only the debtor and its investment professionals but also  
24 with the actuaries and the like to better understand the  
25 financial implications of the payments at this time as well as

1 the implications going forward with respect to the case and  
2 with respect to the defined benefit plans. And when they came  
3 back to the debtors and requested that, although they indicated  
4 that they were -- both groups were fine with making the balance  
5 of the January 15th payment and also making the payment that  
6 came due on April 15th. That it would be their preference that  
7 on a going forward basis, so that we continue to monitor the  
8 case and the plans and the relationship between the plans and  
9 the case, that we have authority to pay all the payments on a  
10 going forward basis after April 15, subject to the consent of  
11 the committee. If we don't get the consent we have the right  
12 to come back to the Court and we'll argue whether it's in the  
13 best interest of the estates to make it at that time.

14 The debtors have agreed to that proposal. And so the  
15 order that we proposed in connection with the motion, we've  
16 modified that to accommodate that process. And frankly, also  
17 to reserve parties' rights, which is fairly standard. So I  
18 would ask Mr. Botter, I think he wanted -- had some comments  
19 with respect to this before we ask the Court to approve the  
20 motion.

21 MR. BOTTER: Your Honor, certainly with respect to  
22 multi-million dollar payments, we don't -- we don't take that  
23 lightly. As Mr. Canning suggested, we did an extensive amount  
24 of diligence on this. Unfortunately, all the facts to make  
25 ultimate determinations with respect to the pension plans don't

1 exist today. We don't have 2007 actuarial reports. We don't  
2 know exactly where these cases will take us in the next however  
3 long we're going to be here. The facts that we do know today  
4 are, that there is a good possibility that these plans will not  
5 be terminated. Don't know if that will be ultimately the  
6 conclusion but there is that possibility.

7 To the extent that not making these payments would  
8 have an impact on employees, we are very cognizant that that  
9 could happen and we don't want there to be negative impacts on  
10 employees. And frankly, there are substantial costs, potential  
11 costs, that go along with not making these minimum funding  
12 contributions. So when we put all of that in the mix, we came  
13 out with let's go forward. Let's make these first two payments  
14 and then let's reassess over time. So that's what we've agreed  
15 to.

16 There are a couple of comments that I need to make  
17 with respect to this issue. And in consultation with one of  
18 our committee members, the PBGC and certainly one of our  
19 favorite committee members, we agreed to a couple of  
20 reservation types of rights provisions. First of all, that  
21 nothing herein today with the entry of this order will  
22 prejudice any rights to seek termination or any rights of a  
23 party to oppose seeking termination.

24 Additionally, our agreement and the debtor's  
25 agreement in making these payments does not constitute a waiver

1 of any of the committee's rights with respect thereto, and  
2 frankly of any party's rights with respect thereto. So with  
3 that, Your Honor, we would request that the order be entered.  
4 Thank you.

5 THE COURT: Now are those reservations or rights  
6 simply on the record or is that something which has been  
7 engrafted into the proposed form of order?

8 MR. BOTTER: They are in place of things that had  
9 been engrafted into the proposed form of order. So they  
10 would -- we would like to just keep them on the record at this  
11 point, Your Honor.

12 THE COURT: I see someone standing. I'm not sure if  
13 that's to agree or disagree with what we've just talked about.

14 MR. LUBELL: It's to agree. To complete the record  
15 I'm Dan Lubell of Hughes, Hubbard & Reed. I represent the  
16 Pension Benefit Guaranty Corporation.

17 Good morning again, Your Honor. Dan Lubell from  
18 Hughes Hubbard & Reed for the PBGC. And I was standing up to  
19 agree with Mr. Botter's comments on the record, that we both  
20 reserve our rights with respect to any future proposed  
21 termination.

22 THE COURT: Fine. Understood.

23 MR. BOTTER: Thank you, Your Honor.

24 THE COURT: And I will -- I'll enter that order.

25 MR. CANNING: Thank you, Your Honor. The next

1 matter, Your Honor, was the debtor's motion to reject a couple  
2 of unexpired non-residential real property leases. These are  
3 relatively small leases with limited duration still remaining  
4 on the leases but they, frankly, have no benefit to the debtors  
5 at all.

6 One of the leases is with respect to property in  
7 Altamonte Springs, Florida. It was a 22,000 square foot space.  
8 The debtors were using something like 2,000, 2,500 square feet.  
9 We've relocated out of that facility. The market is such that  
10 our rent is eight to nine dollars a foot over market. The  
11 debtors tried to sublet it for many, many months before the  
12 commencement of the case without any success, any takers at  
13 all. And so the debtors have removed themselves from the  
14 premises and have asked Your Honor to confirm the rejection of  
15 that lease.

16 Similarly, in Arlington Heights there was another  
17 facility. It has approximately 16,000 square feet. The  
18 debtors were using all of 800 square feet pre-petition and are  
19 no longer using any of the space. Once again, the rental terms  
20 are significantly above market. They attempted to market the  
21 property and there were no takers for the space at all. Both  
22 of the leases expired by their own terms. One was on 2/28/09,  
23 literally in one year or a little less than a year. And the  
24 other expires at the end of this year. So with such a short  
25 term and above market rate it has no benefit to the estate at

1 all. So we would ask the Court to enter the requisite order  
2 allowing us to reject those leases.

3 THE COURT: I will enter that order.

4 MR. CANNING: Thank you, Your Honor. Your Honor, the  
5 next four matters all relate to motions that the debtors filed  
6 with respect to the assumption of certain contracts in  
7 connection with the purchase of equipment. As Mr. Botter  
8 alluded to earlier, we too are not looking to assume contracts  
9 unless it is really important for the debtors to do so this  
10 early on in the case. And although I've got some specific  
11 information with respect to each of these contracts, there's a  
12 universality of concern that we have with respect to these  
13 contracts. They all relate to very significant equipment that  
14 the debtors had entered into contracts to purchase this  
15 equipment pre-petition. The equipment is being manufactured  
16 specifically for the debtors and it's in process.

17 In each case the debtor has made significant pre-  
18 petition advances on account of the equipment but the equipment  
19 has not yet been delivered or it's been shipped but it's in  
20 storage someplace needing to be put on the premises and to be  
21 put into service. And this is not something that the debtor  
22 otherwise has any ability to put into service. In some cases  
23 they bring teams over from Germany who spend months getting  
24 this equipment in place and calibrating it so it works just  
25 appropriately. And so in order to make sure we don't lose that

1 equipment, which if we lost our place in line would go to some  
2 other printing company and we'd have to go to the back of the  
3 line before we could get it, we filed motions in each of these  
4 cases seeking authority to assume those contracts and where  
5 applicable to pay certain pre-petition amounts so that we could  
6 get the equipment in place, enhance our operations and move  
7 forward.

8 I'll go through them each fairly quickly, Your Honor,  
9 and if you have any specific questions about any particular one  
10 I'd be happy to answer as best I can. I may not be able to  
11 describe how all the equipment works but I have a general sense  
12 of how it's used.

13 The first motion had to do with equipment that we had  
14 from Goss. It's a printing press that's used in their  
15 telephone directory printing business. We already have an  
16 existing press that Goss manufactured. This particular  
17 equipment is an extensive add on to the existing equipment.  
18 And really, they're the only company that we could get this  
19 equipment from. We've made a number of payments on account of  
20 this equipment. We've made about forty-five percent of the  
21 payments pre-petition. There was one payment that was due  
22 January 2nd for 705,000 dollars. This equipment is waiting to  
23 be installed. It's sitting on trucks. But we can't get the  
24 equipment until we assume the contract and pay this pre-  
25 petition amount. This facility will allow us to enhance our

1 page and color capacity in our direct printing business.

2 The other urgency about this is, as I understand  
3 this business, this particular time period, the March, April  
4 maybe May time frame is the ideal time where we can take down  
5 the existing equipment to put on the add on. To do it later in  
6 the year would significantly cost the company lost profits and  
7 it would be significantly more expensive to shut down the  
8 facility to do that. So for those reasons, Your Honor, the  
9 debtor would like to seek an order and has sought an order  
10 authorizing it to assume this contract and to pay the pre-  
11 petition amount of 705,000 dollars.

12 MR. BOTTER: Your Honor, with respect to all four of  
13 these motions, these are -- Mr. Canning is correct. We've  
14 diligenced these issues. Based on the facts and circumstances  
15 and the specific machinery involved and the fact that it's  
16 involving substantial and profitable segments of this company's  
17 business we don't have any objection to either -- to any of the  
18 four assumptions.

19 THE COURT: Fine. I think for purposes of moving  
20 along with your narration as we get to additional pieces of  
21 equipment, I'm not going to have any questions relating to the  
22 technical aspects of how a piece of equipment is used in your  
23 business. And I'm going to incorporate into your presentation,  
24 as to each of these motions, the committee's recognition that  
25 this is all necessary and appropriate. And so, you can say

1 what you're going to say but I am going to approve each of  
2 these.

3 MR. CANNING: Thank you, Your Honor. I'll be brief.

4 THE COURT: Great.

5 MR. CANNING: the next motion, Your Honor, was with  
6 SIM, the equipment, just to recite what it is, it's six co-  
7 mailer machine that are used in the company's direct mail  
8 business. This is a business where the company, sort of,  
9 aggregates printing jobs from a lot of the smaller companies.  
10 By aggregating them they get better postal rates, it enhances  
11 our ability to attract customers. It's good for business. We  
12 really need this equipment and we do need to put it in place as  
13 quickly as possible. Once again, this equipment has not been  
14 delivered. We have a pre-petition installment of 541,000  
15 dollars that was due on January 15th, we'd like to make that  
16 payment and -- in connection with the assumption of the  
17 contract.

18 There is another contract, Your Honor, the next  
19 motion related to contract that was delivered by Kay Walter.  
20 This was in connection with the purchase of two copper tanks  
21 that are used in two separate facilities, one in Kentucky and  
22 one in Nevada. They have to do -- and I am glad you don't --  
23 have any technical questions, Your Honor, because I would be  
24 unable to probably give any specific answers for you.

25 THE COURT: And I would be unable to ask them.

1           MR. CANNING: In any event, Your Honor, there was a  
2 pre-petition payment of 240,000 dollars that was due on account  
3 of one of the pieces of equipment. The debtors would like  
4 authority to make that payment and to assume the contract.

5           And lastly, Your Honor, there was a contract with  
6 Hell Gavure, also with respect to significant equipment that's  
7 used in the retail insert printing business. This is equipment  
8 that actually does the engraving in the copper cylinders that  
9 they roll the paper through to make the print. I was asked by  
10 counsel for Hell Gavure to make one comment on the record. Our  
11 motion apparently reversed the dates of two of the contracts.  
12 And so he did want me to clarify the record to say that the  
13 contract with the debtor's entity in Kentucky is dated  
14 September 19, 2007 not April 7 -- not April of 2007. and  
15 instead, the Pennsylvania agreement is dated in April of 2007  
16 and not as we incorrectly reflected the other date. So the  
17 total cure for these agreements, and there are a couple of  
18 them, is 2.9 million dollars. Again, critical equipment, not  
19 able to install it until they get the assumption approved.

20           So those are the four motions to assume, Your Honor.  
21 And I would ask that all four of those be approved.

22           THE COURT: I approve all four.

23           MR. CANNING: Thank you, Your Honor. The next item  
24 on the agenda was the retention of the Kurtzman Carson firm and  
25 I guess that's already been taken care of. And then we go to

1 the contested matters, Your Honor. And again the first two  
2 items there had to do with the committee's retention of  
3 Jefferies and Mesirow which have also been addressed already.  
4 So that takes us through to -- I guess we're down to the  
5 adjourned matters, Your Honor. Let me just, if I could, just  
6 make a couple of comments there. The first one that's listed  
7 there, Your Honor, has to do with National Fuel Resources.  
8 Again, the parties have been in discussion. That has been  
9 adjourned.

10 I guess, Your Honor, there's really three of them  
11 items number 3, 4 and 5 I would like to make some comments and  
12 if anyone else has anything to add. Items 3 and 4 were motions  
13 that were filed by two movants, one Ecological Fibers Inc. for  
14 the allowance and immediately payment of administrative claims  
15 under 503(b)(9) and then the other one, motion number 4, was a  
16 motion that WCJ Pilgrim Wire for a similar determination.

17 The debtors have had discussions with both of those  
18 movants. We have been doing some due diligence to try to  
19 ascertain the underlying facts and circumstances with respect  
20 to the delivery of those goods. We've reached agreement with  
21 each of those movants to adjourn this matter for another month,  
22 to April 17, in order to see if we can reach agreement on the  
23 amount of what their claims might be. And then we've also  
24 reached agreement that when we determine those claims they will  
25 be paid at the end of the case upon the effective date of a

1 plan or reorganization. And they've agreed to that. And we're  
2 going to try to prepare a stipulation which we can propose to  
3 the Court at the April 17th hearing.

4 THE COURT: Fine. I noticed in reviewing the  
5 pleadings that have been filed in connection with these matters  
6 that significant constituencies, including the pre-petition  
7 lenders and the creditors committee had grave concerns as to  
8 the case management aspects of motions of this type. And I'm  
9 pleased to hear that you're working out an arrangement that's  
10 satisfactory to the debtor and presumably also to the  
11 claimants.

12 MR. CANNING: Correct, Your Honor. Thank you. The  
13 last item was -- that I wanted to make reference to at least,  
14 number 5, which is the Blue Herring Paper Company. You recall  
15 they filed a motion seeking to lift the stay in order to  
16 exercise recoupment or setoff rights. And as I related to the  
17 Court last time, we're in a dialogue with them. I think we're  
18 almost in agreement as to the numbers over the several months  
19 leading up to the commencement of the case. And we're trying  
20 to resolve not only the setoff issues but the debtor's  
21 entitlement to rebates, the implications of that on reclamation  
22 and potential twenty-day admin claims. That I'd like to  
23 adjourn only till April 1st because I think we will have a  
24 stipulation to offer to the Court at that time as well.

25 THE COURT: Fine.

1           MR. CANNING: I think, Your Honor that is all the  
2 items on the agenda, unless Your Honor had any other questions  
3 or any other parties have any other comments.

4           THE COURT: The only question that I have, and it  
5 doesn't relate to anything which is on the agenda but it's a  
6 common theme. I'm still interested in knowing the status of  
7 the cross border protocol.

8           MR. CANNING: Border protocol, Your Honor, yes. Let  
9 me be a little bit more expansive on that. We have continued  
10 to have discussions with the various committees on some aspects  
11 of the protocol and also with our Canadian counterparts, to the  
12 extent that any modifications in the order will also require  
13 some revisiting of that order in Canada.

14           To be very candid, I think we're really down to how  
15 we deal with issues that might require joint hearings. And  
16 we've had discussions about trying to agree on language that  
17 would give the rights to certain of the major constituents, the  
18 debtors and the respective committees, in the event that a  
19 proceedings was commenced, let's say, in Canada that one of the  
20 members of the group felt -- should also be heard in the U.S.  
21 as a joint hearing, for example. And so we're working out a  
22 protocol about some notice to each of the other parties, some  
23 period of time to see if the group would agree on whether it  
24 should be heard simultaneously in both jurisdictions and also a  
25 protocol to the extent that if the rest of the group didn't

1 agree with the movant's request, how we could address that in  
2 the other jurisdiction to make sure that all parties were  
3 comfortable that if they felt a particular matter rose a  
4 significant level of materiality that it would effect the other  
5 jurisdiction, that everybody had comfort that that could be  
6 heard appropriately.

7 So we've actually had a couple of rounds of language  
8 that's been circulated. I'm still cautiously optimistic that  
9 we're pretty near the end of that and we'll be able to make a  
10 presentment to Your Honor. But I would ask the committee if  
11 they have any other thoughts on that.

12 MR. CANNING: Your Honor, not to add to much to what  
13 Mr. Canning said. I think he's accurate. We're -- it's not  
14 that we're stuck on the issue. What we're trying to get to is  
15 an agreed mechanic where the party who thinks that the hearing  
16 should be a joint hearing as opposed to just going to Canada  
17 and saying this should happen in Canada if it impacts, rights,  
18 obligations, duties, financing in the United States that only  
19 one of the major constituencies can raise their hand and say we  
20 think this is appropriate to be heard either as a joint hearing  
21 or also in the United States. And then, you know, some  
22 mechanic on what the burden of proof is to come back and, kind  
23 of, flesh that out before you. I think we're actually close.  
24 We're trying to work on an agreement -- a letter agreement  
25 between the committee on the one hand and the company and the

1 monitor in the other in which we can talk about things that --  
2 transaction types that really can happen without really  
3 oversight and things that will, kind of, need some kind of  
4 oversight or consent or negative notice. We're getting there.  
5 Unfortunately, it's a process and there's a lot of  
6 constituents.

7 THE COURT: I understand that. I'm not trying to  
8 inject myself in that process other than to -- to say that at  
9 some point if the protocol is not in place we're going to miss  
10 it. And I think that we're doing fine so far because  
11 everybody's working cooperatively as far as I can tell both in  
12 Canada and here. And we haven't had a need for a joint hearing  
13 yet but that day may come. And this was originally presented  
14 as one of the first day motions and I would like it to be  
15 resolved if at all possible before the April 1 hearing or at  
16 the April 1 hearing.

17 MR. CANNING: We agree with that

18 MR. DIZENGOFF: Yes, absolutely, Your Honor.

19 MR. COLEMAN: If I may just make one comment on that,  
20 Your Honor. Ken Coleman Allen & Overy on behalf of The  
21 Monitor. I don't think that there's any doubt of court to  
22 court communication and the propriety of that between Your  
23 Honor and the Canadian authorities.

24 THE COURT: We've already done it.

25 MR. COLEMAN: Pardon me?

1 THE COURT: We have already done it.

2 MR. COLEMAN: Thank you.

3 MR. CLIFFORD: Your Honor, Ron Clifford on behalf of  
4 Catalyst Pulp & Paper. We are one of the reclamation claimants  
5 who objected to the reclamation procedures. I just wanted to  
6 be heard on the adjournment of that matter. The last time we  
7 had a hearing on this where the motion was adjourned to today,  
8 one of the reasons debtor's counsel gave was that we were going  
9 to work together the reclamation procedure objectors and  
10 claimants with the debtor. We have -- I have personally left  
11 at least six messages with debtors' counsel and two e-mails  
12 completely unreturned as well as a formal letter memorializing  
13 that information to debtors' counsel last week. And no  
14 response from either as well as I've been in contact on  
15 conference calls and I think Dave Matthews from PCA, who's  
16 another objector, may be on the line. We've all been in  
17 contact with each other and none of their calls have gotten  
18 returned either.

19 I've been before Your Honor before on an exact same  
20 type of a motion. It's not a difficult motion. It's one that  
21 can easily -- can be easily handled. I don't know why it's  
22 continued to be adjourned out another sixty days but with  
23 another adjournment we're now sixty days into the 120 days that  
24 they're asking for. And we want to really, at least, I want to  
25 give the Court some sense that we're ready to go forward on the

1 motion. We see the adjournment as being unnecessary.

2 THE COURT: Well, we're not going to go forward on  
3 that motion today since it's not listed as an active matter to  
4 proceed today. But I am concerned about the assertions that  
5 your requests for communication have been ignored or rebuffed  
6 and that's inconsistent with my experience in this case with  
7 debtors' counsel as to all other matters. I'm confident that  
8 between now and when next this is to be heard that attention  
9 will be given to you and to others in your position and  
10 procedures will be developed that are consensual and if not  
11 that we'll have a hearing.

12 MR. CLIFFORD: Thank you, Your Honor.

13 MR. CANNING: Just a comment on that, Your Honor.  
14 You're absolutely right if there has been any failure to get  
15 back to any of our creditor constituency, we certainly regret  
16 that.

17 Just for an update on that process, Your Honor, we  
18 have received almost a hundred reclamation notices and the  
19 company's put together a team to try to resolve these. There  
20 are any number of issues that are involved. We haven't really  
21 moved forward on the procedures because now that we have,  
22 basically, the universe in hand and we're trying to understand  
23 it, we may actually want to make some changes and come back to  
24 the Court and see if there's something that's more efficient.

25 THE COURT: That's fine. One of the things that I

1 note, and it may be that these are not directly congruent. But  
2 we have, on today's calendar, in the case of Ecological Fibers  
3 and WCJ Pilgrim, creditors that have sought, under 503(b)(9)  
4 relief that they're probably not entitled to as a matter of  
5 law. And as a result of seeking such prompt payment got what  
6 amounted to prompt attention. And one of the things that I'm  
7 concerned about, just as a matter of case administration, is  
8 that parties not be encouraged to push the envelope to do that  
9 which is really barely permissible as a way to gain advantages  
10 that are not equally available to those that are doing this by  
11 the rules.

12 MR. CANNING: Your Honor, I agree wholeheartedly.  
13 And in fact, maybe again as another preview in response to the  
14 magnitude of the reclamation claims, and frankly they do get  
15 into the twenty day period, some of them are outside of twenty  
16 days some of them are in both. We are -- we are considering  
17 and we want to discuss with the committee but we may well, in  
18 response to both a reclamation and the twenty-day admin clam  
19 issue come forth with a motion for procedures to try to address  
20 that, both as to the payment as to a claims process that would  
21 be part of, you know, the normal claims adjudication. So to  
22 see if we could set some procedures that would be applicable  
23 for all parties in this situation.

24 THE COURT: Okay. Fine.

25 MR. CANNING: I don't have anything else on the

1 docket, Your Honor.

2 THE COURT: All right. I would like to see debtors'  
3 counsel, counsel for the creditors committee and counsel for  
4 the DIP lender for just a status conference as to where we are  
5 with the final DIP. And I don't think anyone else needs to be  
6 present, the fewer the better.

7 Thank you very much. I'll see you in Judge Gonzalez'  
8 conference room.

9 MR. CANNING: Thank you, Your Honor.

10 MR. BOTTER: Thank you, Judge.

11 (Proceedings Concluded at 12:00 PM)

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

## I N D E X

## RULINGS

	Page	Line
Order to Pay Pre-Petition	18	9
Employee Salaries and Benefits Approved		
Order extending time to Prepare Schedules of Assets, Liabilities & Statements of Financial Affairs Extended to June 4th, Approved.	19	16
Order to Provide Ongoing Compensation to Employees, Approved	22	17
Motion to assume B of A P-Card, Approved	25	25
Motion to Approve Pre-Petition Sales Commissions, Approved	28	13

## RULINGS (Cont.)

	Page	Line
1		
2		
3	Order to Approve Payment	32 24
4	of Minimum Funding	
5	Contributions, Approved	
6	Order to Reject Leases,	34 3
7	Approved	
8	Order Regarding	38 22
9	Assumption of Equipment	
10	Contracts Approved	
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

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

I, Pnina Eilberg, court approved transcriber, certify that the foregoing is a correct transcript from the official electronic sound recording of the proceedings in the above-entitled matter.

\_\_\_\_\_ March 23, 2008

Signature of Transcriber

Date

Pnina Eilberg  
typed or printed name