

UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
BEFORE THE HONORABLE BARBARA J. HOUSER, CHIEF JUDGE

In Re: ) Case No. 09-31828-bjh11  
)  
) CORRECTED TRANSCRIPT:  
IDEARC INC., ) DEBTORS' MOTION to ASSUME  
) CERTAIN OPERATING LEASES  
)  
Debtor. )  
) Thursday, May 7, 2009  
\_\_\_\_\_ ) Dallas, Texas

Appearances:

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Appearances continued on next page.

Appearances continued:

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Appearances continued on next page.

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1 Thursday, May 7, 2009

2:08 o'clock p.m.

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

3 THE COURT: Idearc, please. All right. I'll take  
4 appearances from parties here and then we'll patch in folks by  
5 phone.

6 Mr. Spears.

7 MR. SPEARS: Thank you, Your Honor. Berry Spears and  
8 Ryan Manns from Fulbright and Jaworski on behalf of the Idearc  
9 debtors.

10 THE COURT: Mr. Monsour.

11 MR. MONSOUR: Good afternoon, Your Honor. I'm a  
12 little hoarse, and forgive me, but Trey Monsour, proposed  
13 counsel for the Official Committee of Unsecured Creditors.

14 THE COURT: Ms. Worsham.

15 MS. WORSHAM: Laura Worsham, local counsel for  
16 Catalyst USA, Paper, Inc.; introducing Ronald Clifford from  
17 California, who has a *pro hac vice* motion on file.

18 THE COURT: Very well. Good afternoon.

19 MR. CLIFFORD: With that introduction, Ron Clifford on  
20 behalf of Catalyst Paper.

21 THE COURT: Excellent. Thank you.

22 Mr. Stewart.

23 MR. STEWART: Your Honor, Dan Stewart and Rebecca  
24 Petereit of Vinson Elkins on behalf of JPMorgan Chase, as agent  
25 for the Secured Bank Group.

1 THE COURT: Very well.

2 MR. DENISON: Good afternoon, Your Honor. Sanford  
3 Denison with Baab and Denison in Dallas, local counsel for the  
4 Communications Workers of America. I'll be joined on the phone  
5 by Joseph Vitale with Cohen, Weiss and Simon in New York. And  
6 he'll be speaking on behalf of CWA. Thank you.

7 THE COURT: Excellent. Thank you.

8 McElreath, Mr. McElreath.

9 MR. MCELREATH: Good afternoon, Judge. George  
10 McElreath for the Office of the U.S. Trustee.

11 MR. FRANKE: Good afternoon, Your Honor. Bob Franke,  
12 Strasberger and Price, on behalf of Google.

13 MR. MORENOFF: Thank you, Your Honor. Dan Morenoff  
14 from K & L Gates on behalf of Augmentation, Inc. and Credit  
15 Watch.

16 MR. MOHNEY: Good afternoon, Your Honor. Marvin  
17 Mohney for Findology Interactive Media, Inc.

18 THE COURT: Mr. Perez.

19 MR. PEREZ: Good morning [sic]. Alfredo Perez, Your  
20 Honor, on behalf of Verizon.

21 THE COURT: All right. Let's patch in our...

22 [RECORDING]: You have reached the Fulbright and  
23 Jaworski audio conferencing system. Please enter your  
24 participant or moderator code followed by the pound sign.

25 [RECORDING]: At the tone please state your name

1 followed by the pound key.

2 Someone has entered the conference.

3 THE COURT: And, believe it or not, at long last it is  
4 the Judge that has entered the conference. This is Judge  
5 Houser. I'll take appearances by telephone from the parties.

6 MR. FUHRMAN: You have Steve Fuhrman, Your Honor, from  
7 Simpson Thacher on behalf of JPMorgan Chase.

8 THE COURT: Thank you, Mr. Fuhrman.

9 MR. MCMILLAN: Good afternoon, Your Honor. I'm Scott  
10 McMillan on behalf of – I'm here on behalf of Sean Ryan.

11 THE COURT: Thank you, Mr. McMillan.

12 MR. MAGHAKIAN: Good afternoon, Your Honor. Haig  
13 Maghakian from Milbank Tweed appearing on behalf of the  
14 Committee.

15 THE COURT: Very well.

16 MR. MCCARTY: Your Honor, David McCarty of Sheppard  
17 Mullin Richter and Hampton, LLC, appearing for the U.S. Bank  
18 National Association as indenture trustee.

19 THE COURT: Good.

20 MR. VITALE: Good afternoon, Your Honor. Joseph  
21 Vitale, the law firm of Cohen, Weiss and Simon, LLP – excuse me  
22 – for CWA. And we did not mind the wait. We were told you were  
23 saving the best for last, Your Honor.

24 THE COURT: Good. We did.

25 Anyone else on the phone?

1 (No audible response.)

2 THE COURT: All right. Mr. Spears.

3 MR. SPEARS: Thank you, Your Honor. Again for the  
4 record, Berry Spears. Your Honor, luckily I think we've taken  
5 what could have been a very long and extracted hearing, and I  
6 think it's going to be relatively short.

7 As it – if you – do you have the agenda there in front  
8 of you?

9 THE COURT: I do.

10 MR. SPEARS: Perhaps that would be the best way to  
11 proceed?

12 THE COURT: Please.

13 MR. SPEARS: Your Honor, we filed motions to assume  
14 executory contracts, basically covering four general areas:

15 Collective bargaining agreements, the Verizon package  
16 of contracts operating, what we call just general operating  
17 agreements, and employee benefit agreements.

18 We have agreed, after consultation with the Steering  
19 Committee and with the Committee, to push the employee benefit  
20 contracts, so those will not be heard today.

21 So we have basically three groups of contracts, which  
22 are before the Court. And of those three the Verizon contracts,  
23 I think there is absolutely no objection from any party as to  
24 the assumption of those agreements.

25 Now there – I should also point out to the Court that

1 there are two agreements, two Verizon agreements that we are not  
2 assuming at this time, based on our review and the exercise of  
3 our business judgment.

4 One of those is a tax-sharing agreement. That is not  
5 being assumed. And the other is an employee matters agreement,  
6 which is being pushed. So other than those two agreements, the  
7 Verizon agreements, I think there is no objection and we can ask  
8 the Court to grant that relief.

9 And I believe I'm accurate to say, although I don't  
10 want to steal their thunder, I think the Steering Committee of  
11 our senior lenders wholeheartedly agreed with that and even Mr.  
12 Monsour on behalf of the unsecured creditors agrees with that.

13 So I'm not going to belabor those points as it relates  
14 to the Verizon agreements, except to say that they are very  
15 important agreements.

16 The Verizon mark is very important to this company.  
17 It provides credibility in the marketplace. We're able to use  
18 the Verizon marks on our telephone books and our directories,  
19 and it's a very important component of this company's successful  
20 reorganization and emergence from Chapter 11.

21 So unless the Court has any particular questions about  
22 that, I'll move to the next set of contracts.

23 THE COURT: Let me just ask for the record: Does any  
24 party wish to be heard in connection with the Verizon contracts?

25 MR. MONSOUR: Yes, Your Honor.



1 THE COURT: Mr. Monsour, -

2 MR. MCMILLAN: Yes, we do, Your Honor. I'm Scott  
3 McMillan. I represent Sean Ryan. To the - we don't - are not  
4 familiar with the contracts because they were not - I assume  
5 that there's hundreds of them, from what the declarations  
6 indicate, and they have not been - they just have been merely  
7 generally described.

8 We - my client had a preexisting, prespinoff debt owed  
9 to him. And to the extent that Idearc intends to assume that  
10 and deal with it in this reorganization, we do not want to be  
11 involved in that. And for that reason we object to the  
12 assumption. And I have reiterated that on the record in my  
13 formal written objection.

14 THE COURT: I guess - I'm sorry. I'm not following  
15 what your objection is. You got a prepetition judgment against  
16 Idearc?

17 MR. MCMILLAN: Yes. And it was also against - it  
18 arose from prespinoff conduct of Verizon. And Idearc assumed  
19 that, assumed the defense over our objection. And so I just  
20 want to make sure that we do - you know, we're not swept up into  
21 this consenting to the assignment of Verizon's obligations to  
22 Idearc.

23 THE COURT: We're not assigning anything. This is -  
24 the debtors' proposing to assume various contracts with Verizon,  
25 not assign them anywhere. So I'm - I guess I'm not following

1 your – the basis for your objection.

2 MR. MCMILLAN: Well, the basis for the objection was  
3 under 365. There's a subsection if the creditor objects. And I  
4 wanted to preserve that objection.

5 THE COURT: Well, but your contract's not being  
6 assumed.

7 MR. MCMILLAN: Idearc has taken the position that it  
8 was, and so we do have a dispute over that.

9 MR. SPEARS: Your Honor, –

10 THE COURT: Mr. Spears.

11 MR. SPEARS: – I don't think that's accurate. We have  
12 checked with Grant Thornton, who assisted the company in the  
13 preparation and filing of the schedules on the first few days of  
14 the case. I'm informed, although we have not been able to  
15 verify it, because this objection was not timely. And we tried  
16 to reach out to Mr. McMillan, and we did not hear back from him.

17 But our view is we believe that his client is  
18 scheduled. Moreover, we don't believe, and we've been unable to  
19 understand what the objection is as it relates to the assumption  
20 of Verizon contracts.

21 THE COURT: All right. Please, Mr. Monsour.

22 MR. MONSOUR: Thank you, Your Honor.

23 I believe Mr. Spears forgot one component of an  
24 agreement that was reached with the Committee that I wanted the  
25 Court to be aware of. And Mr. Spears said he would incorporate

1 that into the order. The Committee's being called upon to look  
2 at the transaction between the debtors and Verizon.

3 And so to the extent that these contracts are being  
4 assumed, we asked for a carveout with respect to any releases so  
5 that Verizon would not be released by virtue of these  
6 assumptions. So that as the Committee looked to determine if a  
7 claim exists, and we may determine none does, that the  
8 assumptions will not constitute a release of Verizon.

9 And there are several contracts or at least it was in  
10 one of the declarations, Your Honor, where they indicated there  
11 were mutual releases. And so we were going to craft language  
12 with Fulbright and Jaworski that would provide for that  
13 carveout.

14 And with that, Your Honor, we don't oppose the  
15 assumption of the Verizon contracts, Your Honor.

16 THE COURT: Very well.

17 MR. MONSOUR: Thank you.

18 THE COURT: Thank you, Mr. Monsour.

19 MR. SPEARS: That – Your Honor, that is correct. And  
20 I apologize to Mr. Monsour because that carveout is actually  
21 here in my notes, but I didn't – I didn't speak to that. But we  
22 do agree with the points, that there is nothing, as it relates  
23 to the assumption of these contracts, that should inhibit or  
24 impair the Committee's ability to investigate and/or prosecute  
25 an action against Verizon on a fraudulent conveyance or any

1 other theory they might discern would be appropriate if, in  
2 fact, those causes of action exist.

3 THE COURT: All right. Mr. Perez.

4 MR. PEREZ: Good morning, Your Honor. This is the  
5 first I've heard of this. I don't believe that there's anything  
6 in these contracts that would somehow create a release for us,  
7 but the contracts are, in essence, what they are. I mean  
8 they're either assumed on their terms or they're not assumed on  
9 their terms.

10 To the extent that the debtor agrees with the  
11 Committee that they don't believe anything in there would affect  
12 it, that's fine with me. But the contracts, you know, basically  
13 say what they say. They're either assumed or they're not  
14 assumed.

15 With respect to the employee matters' agreement, my  
16 understanding – you know, that agreement was set for today. We  
17 have – we have a question about whether there, in fact, is a  
18 cure amount. And we believe that there is a cure amount. We're  
19 going back and forth. That's an important – that's a very  
20 important contract for both – for the debtor, so I suspect that  
21 we will reach agreement on that very shortly and it will be  
22 heard on the 21st.

23 But with respect to the agreement between the debtors  
24 and the Committee, again to the extent that they believe nothing  
25 happens, that's fine. But the contracts are either assumed –

1 THE COURT: But to the extent the contract provides  
2 otherwise, ...?

3 MR. PEREZ: The contracts are assumed. Again, as I  
4 said, I don't think anything in there does. There is - there  
5 are releases with respect to prior conduct, not having to do  
6 with the - and their indemnification with respect to prior  
7 conduct not having to do with the actual spin itself. But that  
8 - that's our position.

9 THE COURT: Very well.

10 MR. SPEARS: And, Your Honor, we don't disagree with  
11 that. We believe that, in fact, there were releases originally  
12 as part of that transaction, but they run to the company, not to  
13 the Committee. So we have no problem with - and we understand  
14 the nature of the Committee's concern.

15 THE COURT: Very well. I believe there was someone  
16 else on the phone that wanted to be heard. Did someone else  
17 speak?

18 (No audible response.)

19 THE COURT: All right. Very well. Then the Court  
20 will authorize the debtor to assume the Verizon contracts that  
21 are remaining and going forward today.

22 MR. SPEARS: Thank you, Your Honor.

23 So now - we started with four categories, and now  
24 we're down to two. The next category -

25 MR. PEREZ: Your Honor, excuse me.

1           To the extent that there's going to be a change in the  
2 form of the order, could I just see that form of the order  
3 before it's -

4           THE COURT: Of course.

5           MR. PEREZ: Thank you.

6           THE COURT: Of course.

7           MR. PEREZ: Thank you, Your Honor.

8           May I be excused?

9           THE COURT: You may.

10          MR. PEREZ: Thanks.

11          MR. SPEARS: So, Your Honor, we are down to two groups  
12 of contracts. The next group involve collective bargaining  
13 agreements with our unionized employees. And, as I stated, I  
14 think - or at least as is set forth in some of the declarations,  
15 we are assuming or would propose the assumption of all of those  
16 collective bargaining agreements except one.

17                 There is a contract identified generally as CBA 1301.  
18 It involves some of our salesforce. And there are some issues,  
19 Your Honor, as to pay scales and other related matters that have  
20 been in dialogue for some time. Those matters have not yet been  
21 resolved. We hope to have them resolved by May 21 where we  
22 would come back and ask that it be assumed at that time or,  
23 perhaps, at a later time.

24                 Ultimately I think our view is: Our employees are  
25 very important, all of these contracts have been very vigorously

1 and diligently negotiated, and we believe that it is appropriate  
2 to assume them.

3 Now maybe I should step back for just a minute, Your  
4 Honor, because as part of this process we actually went into our  
5 management group and provided for or asked them to provide us  
6 with various analyses and reasons why all of these contracts  
7 should be assumed.

8 To that end you have before you nine declarations  
9 which are in support of the assumption of all of these  
10 contracts. Some of them – some of those declarations relate to  
11 employee benefit agreements. We're not going there. But as it  
12 relates to Verizon and the collective bargaining agreements and  
13 the operating agreements.

14 I've spoken with Mr. Monsour. He's had an opportunity  
15 to review the declarations that have been prepared and have been  
16 submitted to the Court. And the Committee has agreed to  
17 stipulate to the admission of those declarations.

18 And with that, Your Honor, I would ask the Court at  
19 this time to enter into evidence the nine declarations in favor  
20 of these motions to assume executory contracts.

21 THE COURT: Any objection to the admission of the  
22 declarations in support of these motions?

23 (No audible response.)

24 THE COURT: Very well. The Court will admit the  
25 declarations as evidence in connection with these hearings.

1 (Declarations submitted by the debtor were received in  
2 evidence.)

3 MR. SPEARS: Your Honor, back to the collective  
4 bargaining agreements and the operating agreements. And I think  
5 probably the most helpful declaration that is before the Court  
6 as it relates to these agreements is the declaration of Samuel  
7 D. Jones of the company, the Chief Financial Officer and  
8 Executive Vice President.

9 And so I would urge you to review his affidavit which  
10 sets forth the business justification and implementation of the  
11 company's sound business judgment in the assumption of these  
12 executory contracts.

13 The issue that really remains between the company and  
14 the Committee is really not that the contracts should not be  
15 assumed but, rather, the timing of that assumption.

16 As I appreciate the Committee's requests, they would  
17 like for all of the collective bargaining agreements to be  
18 pushed for two weeks to May 21. They would like all of the  
19 operating agreements to be pushed and heard by the Court at  
20 confirmation of the debtors' plan.

21 As this Court heard on the first-day hearings, we  
22 expect to file a plan in very short order. And while we don't  
23 believe – and we have tentative disclosure statement hearing  
24 dates and even a tentative confirmation date. None of those are  
25 too far out in the future.



1           But it is really irrelevant how close it is, because  
2 we believe that it is important to send a strong message to our  
3 industry, to our employees, to our vendor community, and to our  
4 customers, because we believe that having entered this process –  
5 and, remember, another thing that was made clear to you on the  
6 first-day hearings was that this is not an operational  
7 restructuring. This is a financial balance-sheet fix.

8           Nothing wrong with the operations of the company.  
9 It's simply the company, when this spin occurred two and a half  
10 years ago it was saddled with too much debt. And that became a  
11 problem that the company recognized proactively and very  
12 aggressively and moved to remedy in the context of filing this  
13 Chapter 11 case.

14           Now so the issue to me is why does the Committee care.  
15 Why do they think that it's important to push off the collective  
16 bargaining agreements two weeks and that we should push off the  
17 operating agreements until confirmation.

18           I mean with the obvious caveat that they do have a job  
19 to do, as if – were one a skeptic, it doesn't really make sense.

20           There is a disconnect, because their job, their  
21 mandate is to safeguard the interests of their constituency, and  
22 therein lies the disconnect.

23           Consider these facts, Your Honor. At the beginning of  
24 this case, as has been – as was set forth in evidence, this  
25 company owed its senior lenders approximately \$7 billion.

1           The Court has been made aware since the first day and  
2 in every hearing thereafter of the agreements that we reached  
3 with the Steering Committee as it relates to what I'll – what  
4 I'll call the grand compromise.

5           Among others things, it doesn't take a mental giant to  
6 extrapolate the fact that there is a value that would appear  
7 very close to the deal that's been set with the senior lenders.  
8 I mean think about it, Your Honor. These are lenders, all 956  
9 of them, who were owed \$7 billion. And they have agreed to  
10 reduce their debt level with this company to three billion. And  
11 there are other parts of that agreement that are really  
12 irrelevant, but one thing is very relevant: A \$4 billion  
13 decrease means one thing. And what it means is these folks  
14 unfortunately are completely out of the money.

15           A strict application of the absolute priority rule,  
16 absent some manna, would mean that they're not entitled to  
17 anything. Now if that is, in fact, the case why do they care?

18           And, moreover, why would they have a problem with  
19 management's serious and diligent recommendation and review of  
20 operating contracts that it believes are vital to the future of  
21 this company, to the emergence from Chapter 11, and to  
22 postconfirmation success? There is the – there is the  
23 disconnect.

24           Now Mr. Monsour will say, I think, that it's just a  
25 matter of timing. 'Give us the opportunity to get to the same

1 place that you are.'

2 Well, you know, in a vacuum, Your Honor, that argument  
3 may have some interest, but I would also point out that Milbank  
4 and their financial advisors have been privy to information from  
5 this company since October of 2008.

6 So to say and to suggest that they simply haven't had  
7 an opportunity to review the contracts and haven't had an  
8 opportunity to review the contracts and haven't had an  
9 opportunity to make informed decisions, I can't really make jive  
10 with – with reality. And it doesn't make sense to allow this  
11 constituency, who is so significantly out of the money, to drive  
12 the train. We believe that that's not appropriate.

13 Now, in addition, Your Honor, put all of this in  
14 context. This company has 800,000 executory contracts. A lot  
15 of those contracts are with customers. But we're not seeking to  
16 come in here and willy-nilly assume all of these contracts for –  
17 without the exercise of our business judgment. We will do that,  
18 however, at confirmation.

19 This – these particular motions, Your Honor, will  
20 provide for, if the Court approves them, cure costs of about \$10  
21 million, just north of \$10 million. In context, Your Honor, the  
22 quarterly expenditures of this company exceed \$560 million.

23 So when you think about the context and you think  
24 about management's decision about moving forward with the  
25 assumption of these executory contracts, it doesn't really make

1 sense to adopt the Committee's position.

2           And I know that they'll probably argue at some point  
3 in time, maybe today, maybe at some other time, but they'll  
4 argue, that is, the Committee will argue that they believe the  
5 value to be significantly higher.

6           I don't think they'll be successful but, in any case,  
7 it's very hard to imagine how a \$4-billion gap could be bridged  
8 under any circumstance.

9           But even assuming for a minute, Your Honor, that their  
10 arguments are valid that, in fact, there's value over and above  
11 this approximate \$3 billion that we expect to owe the senior  
12 lenders as we emerge from Chapter 11, wouldn't they, shouldn't  
13 they follow or at least concur in the company's management's  
14 sound business judgment where these contracts are significant  
15 revenue producers and important to the emergence of the company  
16 out of Chapter 11?

17           Now management has spent a considerable amount of time  
18 reviewing all of these contracts. We've listened to the issues  
19 raised by the Committee and our senior lenders. And, in fact,  
20 we have put off, at their request, the consideration of a number  
21 of contracts, including RR Donnelly which, frankly, we think is  
22 a big mistake, but they've really pushed on that one, and we're  
23 willing to push it off until the 21st.

24           But, in addition, Your Honor, we are mindful of our  
25 own fiduciary responsibilities to the estates. And so in that

1 continued review of those documents, when we filed these  
2 motions, we had 99 contracts listed that we were planning to  
3 assume.

4 In consultation with our constituencies, that number  
5 has been reduced to 19. Only the most important contracts are  
6 still on the list. And among the analysis, Your Honor, is those  
7 contracts which assist in the stabilization of the business and  
8 those which enhance the operation and the ability of the company  
9 to perform going forward.

10 Now again the big question that the Court may have,  
11 certainly it's Mr. Monsour's question, and that is, 'Why now?  
12 Why can't we just wait a few weeks? It's not going to hurt  
13 anything.'

14 And he's going to say, 'As long as your guys perform,  
15 Mr. Spears, then these vendors have to perform.' And I would  
16 agree with that. That is, in fact, the law.

17 But I would also say, and Mr. Jones' affidavit speaks  
18 to this, that's where there is a failure of the theoretical  
19 requirement set forth in the Bankruptcy Code and practical  
20 reality.

21 There are lots of different ways, as Mr. Jones points  
22 out, that counterparties can abide by the terms of a contract  
23 without being helpful, without being – without doing everything  
24 that they might otherwise do.

25 And, in fact, notwithstanding the language of 365,

1 there have been numerous instances, even as – even today, where  
2 vendors come in and they say, 'We're terminating you because you  
3 filed bankruptcy,' notwithstanding the fact that the company has  
4 continued to perform.

5 This management team, Your Honor, has made the  
6 determination that it is very important to send a message as the  
7 first entity in this commercial space to have filed and, believe  
8 me, Your Honor, I suspect there will be others, but as the first  
9 entity to have filed, it is very important that we send a very  
10 strong message to our industry, and to our customers, and to our  
11 vendors, and certainly to our employees that we are here, we're  
12 here to stay, and this is just a bump in the road and we are  
13 moving forward and we will emerge in confirmation on August 18.

14 Now let me talk for just a moment about the CBAs,  
15 because the CBAs – the proposal from the Committee is, 'Let's  
16 just push those off two weeks and give us an opportunity to look  
17 at them and make sure that the company has negotiated properly,'  
18 and that these – we can't get a better deal from our – from our  
19 unionized employees on these contracts.

20 He can't be serious. In two weeks the Committee is  
21 going to make a determination that, in fact, we don't have a  
22 better deal? You know, I wonder how that can be done.  
23 Moreover, I strongly believe that in two weeks we'll be in the  
24 same place.

25 It is important for us, as it relates to our

1 employees, to make sure that they understand that their jobs are  
2 safe in an economic environment that is filled with uncertainty.

3 It is very important that these collective bargaining  
4 agreements be assumed going forward. And, again, it's  
5 significant that Mr. Monsour will not suggest to you that these  
6 agreements cannot, or will not, or should not be assumed. It's  
7 just a matter of timing.

8 And I would further point out, Your Honor, what, what  
9 exactly are they doing here? Do they really believe that we're  
10 going to reject these executory contracts, which sets forth a  
11 whole another series of processes under 1113? I mean is the  
12 Committee serious about that? I can't imagine that they are.

13 Our employees are very important. As this Court  
14 knows, we don't have much in the form of bricks and sticks, hard  
15 assets. Our assets are our employees, and our relationships  
16 with our vendors, and our contracts with our customers. That's  
17 why it's important to move forward and assume these executory  
18 contracts.

19 With respect to the operational agreements, Your  
20 Honor, we have been very mindful, as I pointed out earlier, that  
21 we should only look at the most important contracts. And we've  
22 reduced that level from 99 to 19. Those basically cover our  
23 print vendors, our paper vendors, our delivery and distribution  
24 vendors, and internet traffic agreements.

25 It is here that Mr. Monsour, I suspect, will argue

1 that we – but, again, it's just a matter of timing, and we  
2 should push this off to confirmation because, as I pointed out  
3 earlier, if we continue to perform we don't really need to  
4 assume, and everything will be honkey-dory and you can take care  
5 of this at confirmation. That argument, we believe, rings  
6 hollow. And it is there where theory doesn't comport with real  
7 life.

8           It is important to send a strong message. And the  
9 lawyers can talk and talk and talk until our mouths or our  
10 tongues fall out. But what really matters, Your Honor, with  
11 respect to these agreements is not what the lawyers say, not the  
12 telephone calls that we have with these vendors.

13           With all due respect, Your Honor, it's your signature  
14 on an order that allows us to assume those contracts. That's  
15 the message. That's the only thing these people care about.  
16 And that's why we believe it's so important that we move  
17 forward, and we're allowed to assume these contracts.

18           Now I've talked about the cure amounts. That's really  
19 not an issue. If the Court has questions about that, we can  
20 address them. As I noted, the cure amounts are just north of  
21 \$10.1 million. I think we have the cash available. The real  
22 economic party, our senior lenders, have agreed and have  
23 endorsed this request by the company. And they have thoroughly  
24 vetted all of these issues and believe and support the relief  
25 requested by the company.



1           Your Honor, with that, unless you have questions, I  
2 will sit down. And we ask Your Honor that you grant the relief  
3 that we have requested.

4           THE COURT: Very well. Thank you, Mr. Spears.

5           Mr. Monsour.

6           MR. MONSOUR: Thank you, Your Honor.

7           Let me first say that the Committee is not trying to  
8 be an obstructionist in the process. And I'd like to take a few  
9 minutes, and it will be a few minutes, we'll be very brief, -

10          THE COURT: No problem.

11          MR. MONSOUR: - because I'm not sure my voice will  
12 hold out, to take this Court through a little bit of the  
13 chronology and what it is we're requesting and what it is we  
14 truly are asking for.

15          THE COURT: All right.

16          MR. MONSOUR: Several weeks before the bankruptcy  
17 filing the Committee was cut off from information from its  
18 financial advisors directly to the financial advisors of the  
19 debtors. So the notion that we have ongoing document exchange  
20 with respect to due diligence and requests we've made was cut  
21 off before the bankruptcy filing. And I think the Court should  
22 be aware of that.

23          We have requested documents and due diligence in  
24 connection with this motion. And we have received 75 pages of  
25 documents and a notation this morning that any further exchange

1 of documents must be done through counsel. So we'll coordinate  
2 and work that out, but it's an obstructionist position that  
3 we're trying to work around.

4 Likewise, we lost two weeks in executing a  
5 confidentiality agreement when Mr. Gerber was out of town, but  
6 we'll work through those issues. But I thought that was  
7 important in the context of the exchange of information and why  
8 some additional time may be required here.

9 When the debtors filed their motion there were 150  
10 contracts purporting to be assumed now. And when we saw the  
11 motion we asked the debtors: How do they fit within your  
12 business plan?

13 And the debtors have indicated to this Court that  
14 there is a business plan between the bank and the debtors that  
15 purport to have the banks write off \$4 billion of debt, that the  
16 Committee's out of the money.

17 Well, the Committee has not seen this business plan,  
18 and we've required this business plan, and we've been promised  
19 this business plan. So not having that before us it's hard to  
20 put this motion in that context.

21 Secondly we asked: Well, how will it affect creditor  
22 recoveries? Are these contracts scalable so that if there is a  
23 reduction in workforce or if there is a reduction in demand, how  
24 are these contracts going to adapt to that?

25 We also asked: Well, if you're proceeding on this

1 fast track, which we think maybe you're proceeding too quickly,  
2 why don't you do it as part of confirmation, as contemplated in  
3 the Code, and why are you putting an assumption before that?"

4 And we followed up, we said: Give us just a little  
5 bit more time to do an independent investigation.

6 The debtors said: Well, yeah, we'll look at this  
7 again and we'll get back to you. And the debtors did, and they  
8 came back to us. And they said: You know what, we're going to  
9 take a hundred contracts off of that request and now we're only  
10 going to proceed with about 50, 55 contracts. And we'd like  
11 your support of those contracts, and we want to divide those  
12 into three categories.

13 The first was Verizon, and you heard that subject to  
14 the carveout for the release issue, we support that.

15 The second was the employee group under the collective  
16 bargaining agreements. And a member of the Committee is the  
17 union. And we looked at those, and we asked the debtors, when  
18 they told us we're only going forward with a few and we're  
19 taking one off. And the one they're taking off happens to be  
20 the one with the salesforce that brings the revenues in and that  
21 isn't essential to go forward today. That one's going forward  
22 on the 21st.

23 So we said: Well, why don't you put them all off on  
24 the 21st, and here's the reason why: We need the following  
25 information. Are these contracts market contracts? Are these

1 contracts such that if you were to reduce the workload by 500  
2 people, we're not creating an administrative liability that we  
3 would have to pay that otherwise we might not have to pay?

4           You know, are these also scalable, if the company  
5 downsize – downsizes? Are these creating obligations that's  
6 going to impact creditor recoveries?

7           The debtors couldn't give us those answers earlier  
8 this week. So we said: Well, then would you put these matters  
9 off only two weeks to afford us an opportunity to independently  
10 review this information? You provide this information to us.  
11 And then on the 21st we'll probably be in a position to take a  
12 position on this, but we need a minimal amount of time, and we  
13 think it's reasonable.

14           We recognize that employees are critical to the  
15 business, and we don't want to do anything to jeopardize that  
16 relationship. And we couldn't understand why two weeks to  
17 answer these questions was ultimately detrimental. And,  
18 remember, we have not seen the business plan.

19           Then the debtor said: Well, we'd like to also proceed  
20 with the operational contracts.

21           Then we said: Well, have any of the counterparties  
22 filed motions to compel? Have any of the counterparties filed  
23 any – or threatened to terminate any of these contracts?

24           These counterparties are paper suppliers, or printers,  
25 or routers, or people that are very essential in the course of

1 business. But, you know, have these contracts been vetted in  
2 the market? Are they truly the best market price. Are these  
3 contracts such that they might be negotiable where we might get  
4 better terms on a going-forward basis. Are there any other  
5 vendors out there that might supply comparable services that it  
6 might make sense to even consider.

7           Of course, we didn't have time to do this analysis.  
8 We didn't get all the information needed to do this analysis.  
9 So we said: Well, in light of that, if you're going to go  
10 forward so quickly with your plan, which the Committee is a  
11 little hesitant to move forward that quickly because we think  
12 that there may be more time to vet out negotiations, especially  
13 as it relates to this business plan we've not yet seen, it might  
14 make even more sense to put it in context of confirmation,  
15 especially if you're going to move forward as quickly as you  
16 are, even though we may not condone the speed of confirmation.

17           And they said: We can't do it. We've got to assume  
18 these contracts.

19           So there were declarations filed. In fact, the  
20 eleventh declaration – or ninth declaration was filed at 11:00  
21 a.m. this morning. And we reviewed them. And, to be somewhat  
22 supportive and to reduce the time before this Court today, we  
23 thought, well, you know what, yes, you can submit the  
24 declarations as evidence and support.

25           But if you read all of the declarations, Your Honor,

1 and there's not one evidence – one point of evidence in any of  
2 those declarations that say why it has to be done today. What  
3 is the harm to doing it tomorrow, a week from now, a month from  
4 now? What you hear is that it's essential to the business.  
5 It's critical to the business. It has to be done.

6 And we don't disagree with any of that. And, in fact,  
7 that all may very well be true. But no evidence is before this  
8 Court which says why it has to be done today. And that's the  
9 very question we're posing.

10 We're not trying to be obstructionist, but bring us to  
11 speed. You've been in negotiations with your banks for weeks,  
12 for months. We've not been privy to that. Tell us what it is  
13 you're trying to do and let us get up to speed, and we'll do it  
14 quickly.

15 As to the employees, two weeks, we'll get up to speed.  
16 We won't delay it any further. As to the operational, we can do  
17 that in a relatively short order. This is a lot to evaluate in  
18 a short period of time, when we can't get access to the  
19 documents outside of going to the professionals.

20 So with all of that in context, I think it's a little  
21 bit different from that which was presented to you by Mr. Spears  
22 about the Committee not – the disconnect that he has with the  
23 Committee.

24 All we're asking for is a fair opportunity, and we  
25 have a duty to give an independent evaluation. And we're going

1 to do it quickly, efficiently, and cheaply. And we're not going  
2 to delay unnecessarily a process.

3 And this in-the-money, out-of-the-money thing, that's  
4 yet to be determined. And that's irrelevant for today. But,  
5 nonetheless, that's the context by which we're asking for the  
6 short delay, Your Honor.

7 THE COURT: Very well.

8 Mr. Stewart.

9 MR. STEWART: Thank you, Your Honor. On behalf of  
10 JPMorgan Chase as the Agent for the Secured Bank Group, a couple  
11 of observations I'd like to make, not to belabor what Mr. Spears  
12 said but, quite frankly, this, in fact, is not an operational  
13 case. You heard that at the first-day hearings. This is a  
14 financial case.

15 Mr. Monsour may not have been involved for many, many  
16 months, but certainly the majority of his client group has been  
17 involved for many, many months. With attorneys paid for by this  
18 company, with financial advisors paid for by this company, it's  
19 no secret to anyone who's been in and around this case for the  
20 many months which preceded the formal Chapter 11 filing that  
21 this case has to – this company has to get its balance sheet  
22 restructured. But it competes in a very, very difficult market.  
23 It's a highly-competitive marketplace in which it operates. I  
24 think you heard that at the first-day hearings.

25 The margins in this business are razor thin. The

1 rumormill and the competitive juices that flow in this  
2 marketplace, just, you know, how many yellow books do we all get  
3 or yellow pages directories of one sort or another do we all  
4 get, and they're all competing for that same customer.

5           Competitors are gleeful that there's not the degree of  
6 certainty yet established. But every dollar that any disruption  
7 in the operations of this business that erodes from enterprise  
8 value comes right out of the hide of the senior secured lenders.  
9 And I know counsel couldn't have been serious when he said value  
10 is still – or whether the unsecured creditors are out of the  
11 money is still up in the air. It's not up in the air, Your  
12 Honor. But even if it were up in the air, the first \$7 billion  
13 of value here is attributable and claimable by the senior  
14 secured lenders.

15           We do urge Your Honor to defer to the business  
16 judgment of this debtor on these very key operating issues.  
17 They're deferring, as Mr. Spears said, the overwhelming majority  
18 of executory contract assumption issues to confirmation. In  
19 their business judgment, they've only brought before Your Honor,  
20 and then they've only insisted on hearing today, as opposed to  
21 the 21st, those very limited ones that are core to preservation  
22 of enterprise value. A lot of those go to the very basics of  
23 employee morale, and we support the debtors' business judgment  
24 of keeping employees dedicated and committed to running this  
25 operation and preserving enterprise value. And, again, we would



1 urge you to endorse the debtors' business judgment as well on  
2 these today.

3 THE COURT: Anyone else?

4 MR. MCMILLAN: Your Honor, I'd like to be heard on it.  
5 Scott McMillan.

6 THE COURT: All right, Mr. McMillan.

7 MR. MCMILLAN: This case was filed 38 days ago. Prior  
8 to that time we had no notice, my client and I had no notice  
9 that this was preparing, and on paper we're likely going to be  
10 characterized as unsecured creditors. And the speed at which  
11 this is running is unfair and based on the minimal, the nominal  
12 request for additional time that the Committee is making, we  
13 think – we endorse the Committee's request.

14 THE COURT: Very well. Thank you, Mr. McMillan.

15 Mr. Morenoff.

16 MR. MORENOFF: Thank you, Your Honor. This is on  
17 behalf of Augmentation, Inc., which is one of the 19 operating  
18 contract involved.

19 This is a very narrow point, but we did want to  
20 highlight that as filed with the motion, attached exhibit,  
21 reflected a cure amount of – well, it reflected a cure amount  
22 that was not entirely accurate. We've been able to resolve our  
23 issues with the debtors as to the proper amount of our cure, but  
24 I just wanted to make sure that the Court was aware that we have  
25 negotiated that and that, as I understand it, the exhibit that

1 will be attached to the order, if there is an order approving an  
2 assumption of this contract, will reflect a different cure  
3 amount.

4 THE COURT: Very well.

5 MR. MORENOFF: Thank you.

6 THE COURT: Thank you.

7 Anyone else?

8 MR. VITALE: Yes, Your Honor. This is Joseph Vitale  
9 for the Communication Workers of America.

10 THE COURT: Yes, Mr. Vitale.

11 MR. VITALE: Briefly, I just wanted to reiterate what  
12 counsel for JPMorgan Chase had said and the others had said.  
13 This is a very competitive marketplace. It's competitive not  
14 only in customers making decisions with whom to do business but  
15 with – among employees deciding with whom to do business and  
16 with whom to be employed. And I think it is crucial to employee  
17 morale and to the marketplace that the CBAs be accepted as soon  
18 as possible.

19 THE COURT: Very well.

20 MR. VITALE: Thank you.

21 THE COURT: Mr. Spears, why has the business plan not  
22 been given to the Committee?

23 MR. SPEARS: Your Honor, it's – it will be provided to  
24 the Committee, but we're in the last waning efforts to complete  
25 that – that document. And it's going to be provided to them in

1 the very near future. In fact, Your Honor, that goes to the  
2 point that I – that I was going to make, because Mr. Monsour, I  
3 think he knows this, but in fact we met with the Committee and  
4 Mr. Jones made a presentation to his committee yesterday and, in  
5 fact, we have scheduled a face-to-face meeting with the  
6 Committee in our offices on the 14th of this month, next week.  
7 So to say or to suggest that they've kind of been frozen out of  
8 the process or left in the cold is not accurate.

9 The other thing that I would point –

10 THE COURT: Well, but you told me about a business  
11 plan days and days and days ago as if it were done, –

12 MR. SPEARS: Well, the agreement –

13 THE COURT: – so frankly I'm surprised that – I was  
14 surprised when I read Mr. Monsour's objections last night that  
15 the Committee had not yet seen that.

16 MR. SPEARS: The general agreement or global agreement  
17 in principle, subject to the work of, you know, negotiating a  
18 lot of detail, was in fact put in place on the eve of the filing  
19 of this case. We have been in the process of putting all of  
20 that together and we expect, as I pointed out, to deliver that  
21 to the Committee promptly. And we will deliver it to the  
22 Committee promptly. In fact, Your Honor, even the lenders  
23 haven't seen it.

24 It's not like – it's not like we are in the process  
25 or, again, freezing out the lender or freezing out the

1 Committee. It's just been we've had a lot on our plate on this  
2 first – on this first 38 days of the case, but we are there. In  
3 fact, I think we're on the precipice of being able to deliver  
4 that fully to all of our constituencies.

5 THE COURT: But it seems slightly odd to have assumed  
6 a bunch of exhibits before a business plan for the going-forward  
7 entity has not been produced.

8 MR. SPEARS: Your Honor, I guess I don't – I don't  
9 know that I necessarily agree with you, because the reason for  
10 assuming these contracts is to allow the business to go forward.  
11 Again, it's not – it's not a question of how the company is  
12 going to be operated. It's simply a financial restructure – a  
13 fix of the balance sheet –

14 THE COURT: Well, so you say, but – and I mean  
15 certainly that's been the debtors' position for the last 38  
16 days, but there's other constituencies that may think it's more  
17 than that. Now I don't know that, but it's very early in this  
18 case and for me to be continued to be told that this is just a  
19 balance sheet restructure, I don't know if it is or isn't at  
20 this point.

21 MR. SPEARS: Right.

22 THE COURT: But, frankly, giving parties-in-interest a  
23 bit of a time to test that proposition makes some sense. That's  
24 what this process is usually about.

25 MR. SPEARS: But – but even – even testing that

1 proposition, Your Honor, will not change the business decision  
2 of assuming these contracts. What that – what those agreements  
3 and what this plan will do is right size the company's balance  
4 sheets. It's not going to change the operational components of  
5 the company. And so it is important that we move forward on the  
6 operational side with respect to our employees. This  
7 restructuring should not be made on the backs of our employees.

8 THE COURT: But – but, again, nobody's suggesting – I  
9 mean the Committee has not suggested that the decision to assume  
10 may not ultimately be the right one. Their issue is, 'Give us a  
11 fighting chance to get up to speed in the case before we do all  
12 these things.'

13 MR. SPEARS: Yeah. And – and, Your Honor, in another  
14 – in a – in a perfect world or in a totally theoretical  
15 construct, that would be absolutely fair. But the problem is  
16 here that Miller Buckfire, their financial advisors, and Milbank  
17 Tweed has been crawling around this company since October of  
18 2008. So for them to say that they haven't had an opportunity,  
19 Your Honor, is simply not accurate.

20 And I would simply – I would also point out that Mr.  
21 Monsour may not be aware of discussions that I personally have  
22 had with Mr. Shinderman at Milbank, but we have answered all of  
23 his questions, I think, to his satisfaction, particularly with  
24 respect to the scalability of these contracts. If, in fact,  
25 there was a reduction in force that, you know, that there –

1 there is no problem with that, there's no – there's no  
2 take-or-pay obligation in these contracts. We've confirmed that  
3 with the company.

4 We've given them what information that they want.  
5 They may not be satisfied, but they've also had access to a  
6 virtual data room, Your Honor, called Project Windstorm, since  
7 October of 2008. And so to say or to suggest that this process  
8 is moving and they've been left behind in the dust is simply not  
9 accurate.

10 We will provide them with a copy of this – of our – of  
11 our agreement, and we'll do that promptly.

12 THE COURT: When? What does that mean?

13 MR. SPEARS: I think we'll do it – we could do it next  
14 week, early next week.

15 I mean, Your Honor, we – we just – when you're talking  
16 about a company, and – a holding company and these operating  
17 companies, it's not, you know, a single-asset real estate case.  
18 It has taken a tremendous amount of work to put in place, an  
19 agreement which we think we can move forward with. And we have  
20 no intention – if we had assumed or intended to leave the  
21 Committee or its constituency out in the cold, we wouldn't have  
22 paid their fees and given them access to everything the lenders  
23 had access to since October of 2008. So it's simply not  
24 accurate.

25 And, you know, to believe that – that we shouldn't

1 assume these collective bargaining agreements and these very,  
2 very important operating agreements relative to our print, our  
3 directories, our delivery, and our internet-trafficking  
4 agreements is - is simply - it flies in the face of the sound  
5 exercise of the company's business judgment.

6 THE COURT: Very well.

7 Mr. Monsour.

8 MR. MONSOUR: The last thing I wanted to do is turn  
9 this hearing into a hearing of whining, and that's not what the  
10 Committee is trying to do, Your Honor. But the information that  
11 has been made available to the Committee since the filing of  
12 this bankruptcy case has only been publicly-held information.

13 We had a conference call yesterday at which time we  
14 were presented a program of publicly-held information. The  
15 business plan contains significantly more than that. And on the  
16 call yesterday we were advised that, yes, the banks have seen  
17 that business plan. In fact, it's been a culmination of  
18 negotiations.

19 All we're asking for is not only do we want to see the  
20 business plan but to put these assumptions off for a reasonably  
21 short period of time. And if we get the business plan next  
22 week, we're still prepared to analyze the information for the  
23 union contracts on the 21st, so the Court can hear that two  
24 weeks from now. We're not going to let that obstruct our  
25 evaluation of those contracts, because we recognize the import

1 of the employees. Recognizing the fact that the debtors don't  
2 think that their salesforce needs to be assumed today, they're  
3 putting that off until the 21st, so we're thinking, well, we'll  
4 just put all the employees off until the 21st and give us the  
5 information that we've asked for, which is very minimal.

6           You know, are these market contracts? Are these  
7 contracts going to create obligations and liabilities that  
8 otherwise wouldn't be created if you downsize? Tell us how  
9 you're going to downsize. What are your operations going to be?  
10 Those are all information that is not available publicly that we  
11 have not had access to.

12           So the whole notion of the fees and the Miller  
13 Buckfire, everyone being in there and this data room, that's all  
14 fine and dandy. But if a data room doesn't have anything but  
15 public information for us to analyze these few questions, we  
16 think it's an unfair proposition to be asking the Court to  
17 assume something. And all we want is a brief period of time.

18           On the operational contracts, Your Honor, we recognize  
19 Verizon is important. And despite the fact that we're going to  
20 evaluate the Verizon transaction, we went ahead and said: Yes,  
21 go ahead, present that to the Court even though we haven't seen  
22 your business plan, and we'll let that go forward because we  
23 don't want to jeopardize this company. So we're not trying to  
24 be unreasonable.

25           And I communicate, Your Honor, daily with the



1 financial advisors and my co-counsel. I participate on every  
2 meeting and transaction that occurs with respect to the  
3 Committee, so I know exactly what has happened and transpired  
4 and been spoken with my co-counsel, so that's not a fair  
5 statement as well. But I don't want to turn this into a whining  
6 situation, but I wanted the Court to be aware. We're being  
7 reasonable here and what we're asking for is very, very  
8 reasonable and fair.

9 THE COURT: Mr. Spears.

10 MR. SPEARS: Your Honor, just brief comments. Number  
11 one, the agreement that Mr. Monsour talks about, the CBA  
12 agreement that, you know, we're putting off the assumption of  
13 our salesforce, which is the most important or one of the most  
14 important components of this company, that particular agreement  
15 only affects 400 employees. This – and it's not the primary  
16 salesforce agreements. So that's been taken out of context a  
17 little.

18 In addition, Your Honor, if the Court thinks it's  
19 important or would be helpful, Mr. Jones or Mr. Wilson could  
20 testify about – to provide the Court with yet additional  
21 information as it relates to the negative consequences for  
22 failure to assume these contracts.

23 We have been very diligent, Your Honor. We have  
24 scrubbed these contracts to the nub, as evidenced by the fact  
25 that we've significantly reduced the agreements from what we

1 originally came in with to what we're trying to accomplish now.  
2 We believe that it is very important to our – to send a strong  
3 signal to our industry as we are the first mover in this space  
4 to go through this process. And it is important that we  
5 stabilize the business, that we stabilize relationships with our  
6 customers and with our vendors and with our valued employees.  
7 It's important that this relief be granted.

8 THE COURT: Well, it's up to you to put on whatever  
9 evidence you want to put on. That's not my call.

10 MR. SPEARS: Well, Your Honor, I think that the  
11 declarations speak for themselves. Ms. Scaffey's (phonetic)  
12 declaration talks about the vigorous negotiations involving the  
13 negotiations of the collective bargaining agreements. Mr.  
14 Jones' affidavit, as it relates to the – his general affidavit,  
15 not the Verizon affidavit, speak to the business justifications  
16 and reasons for assuming these contracts now. And it's  
17 important that we do that. The evidence is complete and you  
18 have an evidentiary basis for making this – for making these  
19 orders.

20 THE COURT: Very well. Thank you.

21 I want to reread a couple of the declarations.

22 (Pause in the proceedings from 3:12 p.m. to 3:18 p.m.)

23 THE RULING OF THE COURT

24 THE COURT: After re-reviewing the affidavits or the  
25 declarations that were submitted by the debtors in support of

1 their request for authority to assume – assume the executory  
2 contracts that we have been discussing for the last almost hour,  
3 Mr. Monsour, I am empathetic to the concerns that you're  
4 expressing, but on balance I believe the evidence supports the  
5 debtors' request for authority to proceed today to assume those  
6 executory contracts which they have presented to me, as an  
7 exercise of their sound business judgment.

8           It appears to me from the evidentiary record that's  
9 been made that the debtors have attempted to thoughtfully review  
10 the contracts and reduce those contracts to, in the scheme of  
11 the 800,000 executory contracts which they have, to narrow this  
12 down to a handful of contracts that they believe are critical to  
13 the continued successful attempt to reorganize their affairs  
14 pursuant to a plan of reorganization in this case. It also  
15 appears to me that the amounts required to cure under those  
16 contracts is, again in the scheme of this case, de minimis, and  
17 that in fact the debtor was not in default at least under  
18 several of those contracts at the time of its bankruptcy filing.

19           So the Court will authorize the debtor to assume the  
20 executory contracts which it has chosen to bring before the  
21 Court today. But, Mr. Spears, take heart, I do expect the  
22 Committee to be kept abreast. I do expect that business plan to  
23 be provided to them promptly and that as we go forward in these  
24 cases the failure to do so may cause the Court to be more  
25 sympathetic to the Committee's request for additional time to

1 review things, but it appears to me from the evidentiary record  
2 that's been made here and, frankly, from the absence of evidence  
3 introduced by the Committee that these contracts should be  
4 authorized to be assumed today.

5 MR. SPEARS: Thank you, Your Honor. And your message  
6 is heard and we will take it to heart and we will, in fact,  
7 engage with the Committee, as we have done. And I will prepare  
8 orders. I think we've uploaded some, but we need to modify a  
9 few, so -

10 THE COURT: Yeah, don't -

11 MR. SPEARS: - I'll - I'll work with Mr. Monsour -

12 THE COURT: In the future don't upload orders until  
13 after hearings.

14 MR. SPEARS: Okay.

15 THE COURT: The dilemma that creates for us is trying  
16 to make sure that we sign the right ones as opposed to multiple  
17 versions that may be on file with respect to the same matter.  
18 So if you'd wait till the conclusion of hearings to upload  
19 orders, that's more helpful to us.

20 MR. SPEARS: We'll do that, Your Honor.

21 THE COURT: All right. Anything else we should take  
22 up this afternoon?

23 MR. SPEARS: We have nothing further, Your Honor.

24 THE COURT: Very well. Thank you very much.

25 MR. VITALE: Your Honor, this is Joe Vitale. If I

1 could just briefly remind the – Idearc's counsel that I had one  
2 minor suggested change to the proposed order on the CBAs that  
3 they had agreed to.

4 THE COURT: Is that – can you identify yourself for  
5 the record?

6 MR. VITALE: Oh, I'm sorry, Your Honor. This is  
7 Joseph Vitale for CWA.

8 MR. SPEARS: Your Honor, Berry Spears on behalf of the  
9 debtors. We have agreed with the change that Mr. Vitale has  
10 suggested. If he wants to see that form of order, I'm happy –

11 MR. VITALE: No. I – I trust it's the same that your  
12 colleague, Mr. Manns, shared. So I just wanted to make sure you  
13 were uploading the right one.

14 MR. SPEARS: We will.

15 (Counsel confer off the record.)

16 MR. SPEARS: We'll – we need to run it by Mr. Monsour.  
17 It's not – it's not a major change. And Mr. Manns is here with  
18 me, so we will – we will take care of that.

19 MR. VITALE: Thank you.

20 THE COURT: Excellent. Good. Thank you very much.

21 We're in recess.

22 (The hearing adjourned at 3:22 o'clock p.m.)

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State of California                    )  
  )        SS.  
County of San Joaquin                )

I, Susan Palmer, certify that the foregoing is a true and correct transcript, to the best of my ability, of the above pages, of the digital recording provided to me by the United States Bankruptcy Court, Northern District of Texas, Office of the Clerk, of the proceedings taken on the date and time previously stated in the above matter.

I further certify that I am not a party to nor in any way interested in the outcome of this matter.

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Dated May 10, 2009