

1 Tresnowski
2 call is the notice of hearing to approve the
3 final success fee arrangement and the
4 modification to the monthly fees that we had
5 reached with Impala.

6 MR. DUBLIN: I would like to mark this
7 as Tresnowski Exhibit 2.

8 (Tresnowski Exhibit 2, Notice of
9 Hearing on Motion of the Debtors Pursuant to
10 Sections 105 and 353 of the Bankruptcy Code
11 for Approval of Services Agreement with
12 Impala Partners, LLC, marked for
13 identification, as of this date.)

14 Q. Were you the person primarily
15 responsible for negotiating the terms of this
16 modification to the engagement letter to the
17 debtors?

18 A. I was primarily responsible, yes.

19 Q. Who else was responsible?

20 A. Royce was involved, Dan was involved,
21 members of our board were involved. When I say
22 "involved," I mean they were considering it and
23 approving it, but I was the one taking proposals
24 back and forth and negotiating with Paul.

25 Q. If you look at page 2 of the notice --

Tresnowski

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. Yes.

Q. -- the second paragraph, the second full paragraph on that page says "that the debtors and Impala, after negotiations, have agreed on the terms of a success fee."

A. Uh-huh.

Q. What do you view a success fee to be?

A. You know, it's a fee that you get when the job's done and, you know, you have delivered what you were engaged to deliver.

Q. Do you need to have a success in order to have a success fee?

A. I think that's more nomenclature than anything you can read a lot into. I mean, there's -- as I get schooled in this process of bankruptcy, a lot of people get paid what are called success fees, and you know, as far as I can see, they're fees that get paid at the end of the case. And again, I'm not an expert, but my sense is that, you know, if they have done their job and delivered, you know, they get that. If they haven't for some reason, if they get dismissed or something, they would just take whatever they got paid through that date.

1 Tresnowski

2 But I really, you know, I really view
3 the word "success" as just, you know, a label.

4 Q. What is the proposed success fee for
5 Impala in these cases?

6 A. \$2 and a half million.

7 Q. Is it your understanding that Impala
8 is entitled to the success fee upon confirmation
9 of any plan of reorganization or upon a sale of
10 substantially all of the debtors' assets?

11 A. Yes.

12 Q. Is that without regard to the
13 provisions of that plan or without -- I'm sorry,
14 without regard to the provisions of the plan?

15 A. That's correct.

16 Q. Is that without regard to any
17 consideration that may be received by the estate
18 in connection with the sale of substantially all
19 of the debtors' assets?

20 A. That is correct.

21 Q. So what exactly does Impala have to do
22 in order to earn the success fee?

23 A. They have to perform the services that
24 we engage them to perform, see the process
25 through to fruition, and then they would earn

1 Tresnowski

2 the fee.

3 Q. What are the services that the company
4 engaged them to perform?

5 A. Well, as I testified earlier, there
6 was a, you know, whole host of services, and the
7 significant -- you know, there's lots of
8 significant ones. They include helping us cut
9 costs, and last count, I think we have cut over
10 \$80 million of annual cost out of the business;
11 helping us put together a very detailed, very
12 thorough business plan and financial forecast.
13 And they have done that.

14 And they were engaged to explain that
15 forecast, defend it, and, if they did their job
16 well, establish its credibility. And again,
17 from my feedback I've gotten, they have done
18 that very well. It's been very well received.
19 And people have difference of opinion on
20 assumptions, which you would expect, but I've
21 not heard any suggestion that it was anything
22 less than what we had wanted, you know, which
23 was a very detailed, thorough, thought-out plan.

24 They have been involved in issues of
25 communication with employees, letters to

1 Tresnowski

2 customers, how do you try to retain your
3 revenue. They have been involved of late in
4 go-to-market strategy, how can you sell more
5 products and fill up the network. And so, I
6 mean, I can go back through the engagement
7 letter, but they have done all the things,
8 generally, that they have been engaged to do.
9 And they continue to do it. I mean, the
10 engagement's not over.

11 Q. But none of these -- the engagement
12 letter does not provide that any of these things
13 need to be completed in order for Impala to
14 obtain the success fee?

15 A. No. No. The success fee is only
16 contingent on a -- the confirmed plan or a sale
17 of the company.

18 Q. Who negotiated the success fee on
19 behalf of Impala?

20 A. Primarily, Paul Street.

21 Q. And did Impala make the first offer to
22 the company or did the company make an initial
23 proposal to Impala? We're talking just about
24 the success fee.

25 A. The success fee, I think Impala

1 Tresnowski

2 probably made the first proposal. They made the
3 first proposal to us and then we negotiated.

4 Q. Do you recall what the initial
5 proposal was?

6 A. Yes. It was fairly complex. It was
7 there was going to be a fee that was payable
8 based on \$20 million increments of cost
9 reduction versus the May 2003 run rate, and they
10 could have earned up to \$5 million there, but
11 the cost reduction would have had to have been I
12 think in excess of what we actually achieved.
13 So I don't know what they would have actually
14 earned, but it could have been as much as 5
15 million.

16 And then there was a fee, an
17 additional fee, that was tied to when the plan
18 got filed, and I think those two numbers would
19 add up to, you know, best case scenario,
20 something like 7 or 8 million. And then there
21 was a different fee of about 3 million if we
22 sold the company in a way that precluded them
23 from earning the other fees.

24 Q. So the 3 million is not cumulative
25 with --

1 Tresnowski

2 A. It wasn't, no, it wasn't additive to
3 the other number. I mean, we didn't draft the
4 document, but that was clearly my understanding.
5 The way we were going to draft it is that that
6 was a failsafe, if you will. If they were
7 deprived -- you know, if they had devoted all
8 their time and energy and allocated resources to
9 it, and then we sold the company out from under
10 them, that would be their compensation.

11 Q. Was this initial proposal in writing?

12 A. I think so. I mean, actually, I don't
13 know if I memorialized it in writing or if they
14 gave it to me in writing. There was a writing
15 that may have had this in it. It may have just
16 been my notes. I don't recall.

17 Q. To the extent you have those notes of
18 that writing, we would like to get a copy of
19 that as well.

20 A. Sure.

21 Q. What did the company do with this
22 initial proposal?

23 A. We immediately sat down with Pete and
24 Paul and talked about it and we asked, you know,
25 how they came up with it, what were their

1 Tresnowski

2 thoughts, and then we said, okay, we'll think
3 about it, we'll talk to the board about it.

4 And then we were also getting input
5 from the creditors at that point. I mean, this
6 was something that both the unsecured creditors
7 and the senior creditors -- secured creditors,
8 rather, were saying, you know, what are you
9 going to do about Impala, what's their fee going
10 to be, and so there was a lot of discussion
11 about it.

12 Q. What was the company's
13 counterproposal?

14 A. Unfortunately, we didn't make one.
15 Then we were, you know, we were struggling, to
16 be honest with you, to -- we wanted something
17 that was fair. I mean, there was no question in
18 our mind that they were delivering value and
19 they were going to be a very important part of
20 the process, and there was no question in our
21 mind that they were folks who could go out and
22 earn lots of money doing engagements for other
23 people. So if we couldn't come to terms with
24 them, they would go get that money someplace
25 else.

Tresnowski

1
2 Our board felt adamant, absolutely
3 adamant, that it would be a huge setback in the
4 case if we lost Impala, and we said -- and I
5 don't recall the exact sequence of
6 conversations, but the gist of it was like, hey,
7 Paul, let's do something here, let's cut a deal,
8 let's make it simple, everyone's getting tangled
9 up, if I can say it, in their underwear trying
10 to figure out how do you define success, and we
11 just said let's just cut a deal, let's just get
12 certainty on both sides, we know what we're
13 going to pay, you guys are, unfortunately
14 because of circumstances and maybe because of
15 our own delay, you guys have performed, you
16 know, some significant percent of the work to be
17 done.

18 So there wasn't a lot of risk that we
19 weren't going to get stuff from them, because
20 they had done it and they had lived with us for
21 going on three months now. So we just said,
22 after many meetings and board meetings or board,
23 you know, individual conversations with board
24 members, we just said, here's the deal, we've
25 gone back and forth and back and forth and back

1 Tresnowski

2 to a flat fee arrangement?

3 A. Yes, that is something we didn't do
4 lightly. And I know that's not an unusual way
5 to structure these fees. The problem we had
6 with that is that -- and Impala was sensitive to
7 this too, you know -- cutting costs is not an
8 absolute good. You know, it's good up to a
9 point and then it can turn bad.

10 And you know, we had talked about,
11 well, you could just have an incentive based on
12 cost-cutting, which was kind of like their
13 proposal, and the board of directors could be
14 the governor on that, but we didn't want to
15 really get in a situation where, for example,
16 Paul said, ghees, I think we should close the
17 XYZ facility, I really think that's the right
18 thing to do, and then we would have to evaluate
19 that -- not we, but mainly the board, knowing
20 that it came out of his pocket.

21 You know, I mean, it wasn't a good
22 dynamic that we wanted to have, because we
23 hadn't -- we had worked in a very open fashion,
24 you know, where we did the right thing. That's
25 kind of the -- you do the right thing. And so I

1 Tresnowski

2 think that made us uncomfortable.

3 The same thing with getting a plan
4 filed. As I told -- in a different context I've
5 told people, I said no one wants to get a plan
6 filed faster than the people working on this
7 deal, I mean, across the board. And so I didn't
8 need -- I didn't feel like I needed an economic
9 incentive for everyone -- anyone to try to get
10 this thing done.

11 And that includes -- I mean, I know
12 the argument you can make, well, they're getting
13 a monthly fee and so the longer it goes, the
14 better, but these are guys that have got other
15 opportunities, other demands, and not something
16 I could -- didn't really have any concern about
17 them sitting around milking the engagement.
18 That was not -- I wouldn't have -- I don't think
19 we would have engaged someone where we would
20 have those types of concerns.

21 Q. Did the company look at comparable
22 success fees in other cases?

23 A. We did. We certainly did do that, and
24 we did have -- we had a number of things. And
25 I'll caution you there's some documents, there's

1 Tresnowski

2 a summary, and it's a little bit -- you have to
3 take into account there was a summary of, I
4 don't know who, but the banks have put together
5 a summary and they had shared it with us,
6 Kirkland had put together a summary, and I think
7 there was a consolidated summary. We'll get all
8 these documents for you.

9 But the other thing that we had was
10 from Paul; he had sent us engagement letters
11 that they had in other engagements. So, I mean,
12 I guess here's the point I'm trying to make: We
13 looked at comparables in other situations, but
14 we also looked at what Impala did in other
15 engagements, because Impala did a range of
16 engagements. They weren't necessarily CRO-type
17 engagements. They did -- they had been involved
18 in the Conseco deal, they had been involved in
19 some of the Enron unraveling of partnership
20 deals, and, you know, if I can say, they
21 generally got very well-compensated.

22 And so it's a bit tough to compare an
23 Impala to a Wilson Alvarez, for example -- is
24 that the name? No, that's the baseball player.

25 Q. Alvarez & Marcel.

Tresnowski

1
2 regard to market comparables, because those are
3 relevant.

4 Q. Can you recall any -- first, I would
5 like to get copies of those engagement letters
6 that Paul sent to you.

7 A. Yes.

8 Q. Can you recall any of the cases that
9 you looked at for CROs of Wilson -- I mean of
10 Alvarez & Marcel or a Zulfo Cooper or somebody
11 like that that had done these types of things,
12 do you recall any cases that you -- comparables
13 that you looked at?

14 A. There was -- I mean, there was a
15 chart. I remember the MFN. I think MFN had a
16 fee of about -- I think it was about 2 and a
17 half million. I think they brought in Zulfo
18 Cooper, I believe. And they had an arrangement.
19 I generally remember that it was about \$2 and a
20 half million, although there was some success
21 kind of criteria that were in there, and that
22 was different than ours.

23 Q. They were metrics as opposed to a flat
24 fee?

25 A. They were metrics as opposed to a flat

1 Tresnowski

2 fee, and I inquired specifically about that with
3 people who had familiarity with the case and
4 said, you know, why did they do it that way, and
5 they said that, well, they're basically running
6 the company.

7 Because Paul and I had many
8 discussions, and one of them was, you know, why
9 aren't you guys -- why don't we tie it to free
10 cash flow or something, and the point they made
11 was that they weren't running the company. I
12 mean, they weren't -- unlike other cases,
13 Allegiance wasn't a case where you kick out the
14 management team, they were gone, and you brought
15 someone in to run the company and, therefore,
16 you could hold them totally responsible for
17 performance.

18 That wasn't their role. It isn't
19 their role today. So, again, it was just one of
20 those things that made us -- it made it
21 reasonable for us to think that a flat fee was
22 going to be the more realistic way to go.

23 Q. Do you recall looking at any
24 comparables where a restructuring advisory firm
25 was being brought in to do the same types of

Tresnowski

1
2 something to look at analyzing the success fee?

3 A. Yes. I mean, I had talked to them
4 about, you know, what do you guys -- what do you
5 guys get paid for what you do? Because you're
6 the best market comparable out there, and they
7 had given us a bunch of examples where they got
8 compensated very well.

9 And some had some criteria, some
10 didn't, but it was, you know, the specific
11 discussion I recall, at least the one that was
12 influential on our decision-making process, was
13 that Impala had a different kind of way of doing
14 business. They were very selective in the cases
15 they took. They took cases where they thought
16 they could add a lot of value, where they would
17 get very senior-level involvement, in this case,
18 you know, two of the principals and an
19 associate. And they structure their fees
20 accordingly, as opposed to some of the bigger
21 shops that didn't do it that way.

22 MR. RATHKOPF: Paul has to leave, so
23 he --

24 MR. DUBLIN: Can we go off the record?

25 MR. RATHKOPF: You previously

1 Tresnowski

2 requested that copies of any letters that
3 Paul gave to Mark Tresnowski be produced.
4 We're going to object and not produce them
5 because the companies that authorized Paul
6 to give them to Allegiance did not authorize
7 that to go beyond Allegiance to be published
8 or destroy the confidentiality of those
9 engagements.

10 MR. DUBLIN: To the extent any of
11 those are a matter of public record, we
12 would like to receive those.

13 MR. RATHKOPF: That's fine.

14 (Recess; time noted: 3:29 P.M.)

15 (Time noted: 3:38 P.M.)

16 BY MR. DUBLIN:

17 Q. Mr. Tresnowski, I'm just reading from
18 the transcript here. One of the last things
19 that you mentioned was that there were three
20 people from Impala that are working on this
21 engagement?

22 A. Yes.

23 Q. Who are they?

24 A. Paul Street, Pete Keenoy, K-E-E-N-O-Y,
25 and Aamir Chinoy. I think it's C-H-I-N-O-Y.

1 Tresnowski

2 I'm not sure.

3 Q. We have the names.

4 A. Okay. I know him as Aamir. They are
5 the ones working full-time in the company. I
6 don't know if there are some people behind them
7 or not.

8 Q. Do you know how much of these people,
9 the three individuals you just mentioned, their
10 respective time is spent on Allegiance?

11 A. Yes. I think it's full-time for Pete
12 and Aamir, and it may be full-time for Paul. I
13 know it's like Fridays he's back East, but he's
14 usually on the phone on this deal. So kind of
15 my impression is that this is their -- just
16 about full-time for all of them.

17 Q. So for Pete and for Aamir, they are at
18 Allegiance's offices Monday through Friday
19 during business hours?

20 A. That's my -- yes, that's my
21 understanding. But Paul is there I think four
22 days a week, three or four days a week. Then
23 they all three have offices right up across the
24 hall from Royce and Dan, so ...

25 Q. Does the company keep track of the

1 Tresnowski

2 hours that the Impala employees work?

3 A. No.

4 Q. To the best of your knowledge, does
5 Impala keep track of its hours?

6 A. I don't believe so.

7 Q. You mentioned earlier that Impala was
8 involved in the preparation of the company's
9 business plan?

10 A. Yes.

11 Q. What exactly did they do in connection
12 with the business plan?

13 A. Well, it's a fairly broad question.
14 They had a lot of input into things that went
15 into the business plan, including cost cutting,
16 but in terms of the plan itself, they in essence
17 owned the plan. They kept the model. Aamir
18 kept it on his computer, maybe Pete did as well,
19 but all of the inputs in the company came into
20 Impala. You know, my legal budget, for example,
21 went into Impala, all of the inputs on the
22 expense items, revenue items, and they would
23 take it and then, you know, interact with people
24 and come up with assumptions for areas of the
25 plan that needed assumptions and just develop,

1 Tresnowski

2 you know, typical process of developing a
3 business plan. But they were very much running
4 the process and, if you will, kind of owning the
5 model.

6 Q. Who, apart from Impala, was involved
7 in preparing the business plan?

8 A. You know, I -- it's -- I'd have to say
9 the entire senior management team was involved,
10 but I think in particular Dan Yost, Royce
11 Holland, Clay Myers, Tom Lord, I mean they were
12 all involved. The only person who was excluded
13 was our vice-president of business planning,
14 Sanji Sapi, because he's being investigated by
15 counsel, by outside counsel, so we didn't want
16 him to have any role in the process. So he's
17 not been involved.

18 Q. Did any of the company's other outside
19 advisors assist in the preparation of the
20 business plan?

21 A. Yes. Greenhill was very involved in
22 the -- you know, just to step back, there were
23 lots of inputs into the plan that Impala was
24 involved in. For example, the various task
25 forces that we have, Impala's a member of every

1 Tresnowski

2 task force. And so they're involved in all the
3 decision making that leads up to the input into
4 the plan.

5 When we got to the stage of taking all
6 of the inputs, putting a plan together, and
7 trying various assumptions and testing the
8 reasonableness of them, a Greenhill team kind of
9 moved into Dallas with the Impala team, and they
10 both worked together with our management team
11 and came up with the plan.

12 Q. Was it Impala that came up with the
13 plan and then Greenhill reviewed it with them,
14 or Greenhill actually did work on the plan with
15 Impala?

16 A. I think Greenhill did work
17 side-by-side with Impala on the plan.

18 Q. Has Impala been involved in the
19 preparation of a plan of reorganization for the
20 company?

21 A. Not directly, no.

22 Q. Has Impala been involved in working
23 with the company analyzing alternative
24 transactions?

25 A. They are getting involved in that

Tresnowski

1

2 process.

3 Q. What is Impala's role to be?

4 A. We are, as you may know, we're looking
5 at a couple of transactions. One, for example,
6 is a business combination that would -- that the
7 creditors would take interest in the combined
8 entity, and so we're trying to develop a model
9 what those combined companies would look like.
10 And they're involved in looking at the combined
11 model and really -- and I'm not an expert in
12 financial modeling, so bear with my explanation
13 here, but there's financial models and they have
14 characteristics and, as I understand it, when
15 you take another company and try and combine it
16 and do a combined model, you got to have some
17 consistencies in the way you categorize certain
18 costs and the way your assumptions mesh, and so
19 they're very instrumental on pushing those two
20 models together and I think also making sure
21 that the same level of detail in the stand-alone
22 model is important to the combined model.

23 Q. Is Impala's job -- will Impala's job
24 include analyzing the model and making a
25 recommendation to the company on how to proceed

1 Tresnowski

2 with respect to the proposed transaction?

3 A. I think they will definitely have a
4 role in that. I don't know that they will --
5 you know, I think we're trying to figure that
6 out right now. I think one of the things we're
7 looking from them is -- to help us with is that
8 if, for example, a particular transaction we're
9 looking at, if both companies are cash flow
10 positive and can service debt, then, you know,
11 it looks like a good deal, you know; if they're
12 going to burn cash and not be able to service
13 debt, it's not as good of a deal. So we're just
14 trying to get a sense for that.

15 And I think our attitude is, we've got
16 Impala, we've got Greenhill, we've got smart
17 people at the company; everyone get in the room
18 here and pitch in and roll up your sleeves and
19 help us out.

20 Q. I just want to turn back to Tresnowski
21 Exhibit 1 for a moment.

22 A. Sure.

23 Q. Back to the Impala engagement letter
24 dated July 11th that we referred to.

25 A. Uh-huh.

Tresnowski

1

2 Q. Back to paragraph 5, which was their
3 role as the advisor?

4 A. Uh-huh.

5 Q. You had read into the record the --
6 four of the responsibilities that Impala would
7 have in connection with their restructuring of
8 the company.

9 A. Uh-huh.

10 Q. Which included the reduction of costs
11 and increasing efficiencies, the improvement in
12 sales productivity and profitability, management
13 of the task forces that you just mentioned, and
14 working on the long-term business strategy,
15 which I believe would be part of the business
16 plan that we just discussed.

17 A. Yes.

18 Q. In any of your meetings with Impala
19 representatives, did you ever indicate, or did
20 any representatives of Allegiance indicate, that
21 the company was in the process of analyzing ways
22 to cut costs or increase efficiencies or improve
23 sales force productivity?

24 A. Yes, we certainly did.

25 Q. And were these efforts undertaken

1 Tresnowski

2 prior to Impala being retained?

3 A. Yes.

4 Q. What had Allegiance done at the time
5 that Impala was retained to achieve those goals
6 of cutting costs and increasing efficiencies and
7 improving sales force productivity?

8 A. We have an ongoing process, as any
9 management team would do, of stepping back and
10 looking at the company and trying to improve it,
11 but specifically cost cutting was important, and
12 it's been important since, I don't know,
13 sometime in 2002, kind of increased importances,
14 and preservation of cash because it became so
15 critical and the capital markets had shut down.

16 But specifically what we had done, and
17 really I think almost simultaneous with the
18 bankruptcy filing, so it was probably almost a
19 month before Impala got formally engaged, is we
20 put task forces together and we divided up the
21 company into critical areas of focus, network
22 costs, sales and general administrative
23 expenses, the go-to-market strategy and a bunch
24 of different task forces, and we said, okay, who
25 are the kind of day-to-day experts in these

1 Tresnowski

2 areas, let's put them on the task force and then
3 let's drive progress in each one of the task
4 forces.

5 Q. Just prior to July 11th, with the
6 execution of the engagement letter by the Impala
7 company board, could you put a dollar number on
8 the amount of cost-cutting initiatives or the
9 identification of cost-cutting initiatives that
10 the company should undertake as of that time?

11 A. I think you could, and I think we did.
12 I mean, I think we were looking at something in
13 the neighborhood of \$60 million in cost cutting.

14 Q. And you had identified the company had
15 identified the way to cut those \$60 million in
16 costs?

17 A. I think, yes, generally we have for
18 each one of them.

19 Q. And since July 11th how much
20 additional cost-cutting initiatives or
21 identifying ways of cutting additional costs has
22 Impala found?

23 A. Boy, you know, it's hard to quantify
24 that because it's -- you know, that question
25 would kind of imply that Impala came in as an

Tresnowski

1
2 independent force, and what they really did was
3 they joined into each one of the task forces and
4 helped drive the process.

5 I mean, one of the things that, you
6 know, was clear to us and one of the reasons we
7 were interested in getting a CRO was that we
8 could identify areas where you would reduce
9 costs. I mean, you've got a lot of network
10 costs, and so you're going to reduce those
11 network costs. And you have some feel for how
12 much you should be able to do, but someone has
13 got to kind of take charge of that process and
14 execute it.

15 I'll give you a good example. We have
16 a lot of fiber leases, dark fiber leases with
17 MFN and a lot of other providers, and so we can
18 sit there and say, okay, there's a task force
19 and one of the things we're going to do is
20 reduce those costs on MFN. But someone needs to
21 go out there and be a, first of all, have a real
22 good sense for what's achievable and how to get
23 it done and go and negotiate it and, you know,
24 just cut a deal, and that's really what Impala
25 has done. That's an area where Paul

Tresnowski

1
2 individually has kind of taken the lead on it.

3 But, you know, it's always Paul and
4 one or two people from the company or Pete and
5 one or two people from the company. The same
6 thing with our headquarters lease. I think that
7 was maybe more Pete than Paul, but it was, you
8 know, we sat there and said, ghees, we've got a
9 lease that we entered into three years ago,
10 market rates have gone down, we can reject it in
11 bankruptcy, you should be able to save X, and
12 that's one thing, but then getting to X or
13 getting better than X, someone's got to, you
14 know, go around, get comparables, convince the
15 landlord that you're serious and sit down and
16 negotiate a deal and deliver it and then
17 understand, while you're doing that, you know,
18 cure costs and residual claims and how all that
19 stuff works together.

20 So Impala didn't come and say, okay,
21 you've done 60, we're going to add -- I think it
22 was like 80. You know, we're going to add 20.
23 What they came and said, okay, you're going to
24 do 60, let's find out some more, but also let us
25 kind of, you know, man the ship here and get

1 Tresnowski

2 there with you.

3 Q. Was the company's general view that
4 they would not be able to implement, fully
5 implement that 60 million and find additional
6 without a chief restructuring officer?

7 A. I don't know. We certainly thought
8 they would help a lot. You know, but if you're
9 saying, you know, would you have failed to do
10 that without them? I think we certainly -- we
11 had a concern that that would be a risk. I
12 don't think we ever think we're going to fail at
13 anything, but I think we certainly thought that
14 was a risk.

15 One of the things that was pressing
16 and, you know, I know people -- I've said this
17 to other -- to creditors and they kind of
18 question me, but there's not -- you know,
19 everyone at the company had a full-time job
20 before we went into bankruptcy. So everyone was
21 very busy doing what they were doing, and to
22 take two very experienced executives like Pete
23 and Paul and add them to your team and say your
24 job, your only real job, is to do these things
25 is tremendously helpful.

1 Tresnowski

2 And, you know, I have one creditor
3 that said, what can two guys do? What can three
4 guys do? And the answer is a tremendous amount.
5 They really do a tremendous amount. And if they
6 don't do it, could we do it? Yeah, because
7 we've done things like this before. I think the
8 problem is if you're doing that, you're not
9 doing something else. And then, you know, it's
10 hard to calculate the costs you suffer by taking
11 your eye off those other balls, so --

12 Q. You mentioned a couple of times that
13 one of the jobs for Impala was to increase
14 efficiencies. What does that mean?

15 A. You know, what they do -- it can be
16 many things, but one of the things they do is
17 they could be pretty rough guys. You know, the
18 network people come in and they will say, I can
19 reduce these circuit costs and I can get it done
20 in six months, and Paul says, that's crazy,
21 we're not waiting six months, you got 30 days.
22 I can't do it in 30 days. Well, why aren't you
23 doing it in 30 days?

24 And I got a lot of people that come
25 into my office and say, God, these guys from

Tresnowski

1
2 Impala are really tough. That's kind of what
3 they do, they drive people, they test people.
4 And they're in a somewhat of a unique situation
5 where they can do that. They don't need to
6 have, you know, an ongoing business relationship
7 with a guy who's in charge of circuit costs.
8 They don't need to have an ongoing relationship
9 with the ILECS, whereas we do.

10 It's a little bit tougher for us to
11 come in and beat them over the head, or MFN, for
12 example. But Paul can do that because that's
13 his job. So he comes in and, you know, I don't
14 know if -- that's what I think of when you say
15 "drive efficiencies," basically push people
16 beyond where they think they can go and bring a
17 sense of -- what I think they do, and what you
18 don't get otherwise, is a sense of, you're in
19 bankruptcy, time is of the essence. The
20 business isn't going to function in bankruptcy
21 forever and you don't have six months, you have
22 30 days. If you can't do everything in 30 days,
23 what can you do in 30 days? And, you know,
24 that's the give and take that's going on on a
25 daily basis with them.