UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

IN RE:	.	Chapter 11
	.	
CHI-CHI'S, INC., et al.,	.	Case No. 03-13063 (CGC)
	.	Jointly Administered
	.	
Debtors.	.	March 11, 2004 (2 p.m.)
	.	(Wilmington)

TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE CHARLES G. CASE, II
UNITED STATES BANKRUPTCY COURT JUDGE

Proceedings recorded by electronic sound recording;
transcript produced by transcription service.

FORM FED-25 PENGAD • 1-800-631-6989

THE CLERK: All rise . . . (microphone not recording).

THE COURT: Please be seated.

MS. WERKHEISER: Good afternoon, Your Honor. Rachel Lowy Werkheiser on behalf of the debtors. The agenda, I believe, today will be short, Your Honor, and we did file a second amended agenda. Does Your Honor have a copy of that?

THE COURT: Yes, I do

MS. WERKHEISER: Thank you, Your Honor. The first item on the agenda is the debtors' motion for a retention and severance program for key middle management and non-management employees. The debtors have actually withdrawn this motion without prejudice in anticipation of filing a more inclusive curt motion. We were originally going to do it in two parts, and we evaluated that and decided just to go full steam ahead on a one-part motion. The second item on the agenda, Your Honor, is the debtors' motion for an order authorizing the debtors to sell certain personal property. Your Honor, actually, at the last omnibus hearing entered an order on this motion with respect to everyone except SDG Macerich Properties. Your Honor, the parties have agreed to continue this matter to the next omnibus hearing which is presently scheduled for April 8th here in Delaware, and that would be the only remaining part of that motion going forward.

FORM FED-25 PENGAD • 1-800-631-6989

THE COURT: Okay.

MS. WERKHEISER: The third item on the agenda is the debtors' motion for entry of an order to reject some unexpired leases effective on February 29th, 2004, Your Honor. And we are presenting this motion with respect to all of the leases on the revised Exhibit A except that of SDG Macerich Properties, and I believe Brian Huben who represents SDG is on the phone, Your Honor. The debtors in their business judgment have determined that these leases were just no longer beneficial to the estate and have ceased operating the restaurants in those locations. Due to Your Honor's prior rulings, we did return possession of the keys and the property to the landlords prior to February 29th. I believe the last set of keys was actually delivered that Saturday. And we also are seeking to abandon the personal property left in these locations, and through this motion we did serve anyone who has asserted a lien or an interest in these properties and received no objection except that of SDG Macerich, Your Honor, which we have decided to continue to the next omnibus order. That's actually a special circumstance with a broken water main, and we're still determining how to fix that, Your Honor. If Your Honor doesn't have any questions, I'd be glad to hand up a proposed form of order.

THE COURT: I have no questions.

FORM FED-25 ● FENGAD • 1-800-631-6989

MS. WERKHEISER: Thank you, Your Honor, if I may approach?

THE COURT: Please. I've signed the order.

MS. WERKHEISER: Thank you, Your Honor. The fourth item on the agenda is the motion of HFL Corporation for payment of an administrative claim. Your Honor, we're presently in negotiations with HFL, and the parties requested this matter be continued to the next omnibus hearing.

THE COURT: So ordered.

MS. WERKHEISER: Thank you, Your Honor. The last item on the agenda is a hearing on the final approval of the amendment to the first amended and restated DIP loan agreement, Your Honor. The debtors did have an interim hearing on this matter in Phoenix, and we noticed it out again for today's hearing on a final basis, and no objections have been received. This provides additional cash into the estate for the debtors to continue to operate their businesses and without this additional infusion of cash there would be immediate and irreparable harm to the debtors, and I believe counsel to Foothill is on the phone, Your Honor, if Your Honor has any questions regarding --

THE COURT: I have no questions.

MR. ROSNER: Your Honor, Fred Rosner, Jaspan Schlesinger Hoffman, Delaware counsel to the Creditors Committee. I rise solely to create a record. The Committee

FORM PED-25 PENGAD • 1-800-631-6689

supports the relief requested by the motion.

THE COURT: Thank you.

MS. WERKHEISER: Your Honor, I did prepare yesterday a final order which attaches the amendment of Exhibit A and circulated that to all parties and received no comments. If I may hand that up, Your Honor?

THE COURT: Thank you. I've signed the order.

MS. WERKHEISER: Thank you, Your Honor. I believe unless Your Honor has any questions that's all the debtors had on today's calendar, Your Honor.

THE COURT: I have one question on an unrelated matter. I have the certificate of no objection that was filed in connection with the Akin Gump quarterly fee application, and it recites that this is being submitted pursuant to the order on interim compensation. When I reviewed the order on interim compensation, it provides that on a monthly basis the professionals can be paid eighty percent of these and a hundred percent of expenses if there's no objection, as to with there has been no objection, and that quarterly the professionals have to file their applications. It says the debtors shall request a hearing on the pending interim fee applications at least every six months. The debtors, however, may request that a hearing be held every three months or at such other intervals that the Court deems appropriate. Just wanted to understand what the

FORM FED-25 PENSAD • 1-800-631-6989

parties' view was of the pending procedures insofar of whether interim -- quarterly interim fee applications, such as the one I had that's been submitted for Akin Gump as to which there's been no objection need to be set on calendar for hearing or whether -- because I don't see that or whether they can be done on certificates of no objection, which is not a procedure that I see at least explicitly set forth in the order, so --

MS. WERKHEISER: Your Honor, I did request with Ms. Ballek a quarterly fee hearing on April 8th, and I believe it was noticed out for the April 8th hearing, but I'll let Mr. Rosner speak to that application.

MR. ROSNER: Let me just say, Fred Rosner for the Delaware counsel to the Committee. I believe that CNO requires a technical correction which I will attend to following the conclusion of today's hearing. I believe it is appropriate under the procedures order, and I'll stand corrected if counsel to the debtor chimes in, that we can indicate that no objection has been proposed by parties to the request, but it does require a hearing. I think it is scheduled for April 8th.

THE COURT: Right. So it's really just a CNO to say there were no objections that were timely filed as opposed to a request for the entry of an order.

MR. ROSNER: That is absolutely correct, Your

FORM FEO-25 PENGAD • 1-800-631-6989

Honor.

THE COURT: Okay. Well, I just wanted -- That's what I thought it should have been, and I wanted to make sure because there was no actual order that was submitted with it.

MR. ROSNER: The scheme, as I understand it, is that on a monthly basis the Court should not be burdened with reviewing fee applications because it would take up the Court's entire time. On a monthly basis, we proceed on the CNO basis and no order's required.

THE COURT: Right.

MR. ROSNER: The quarterlies are an opportunity for the Court and interested parties to review in more detail the fee applications.

THE COURT: I understand.

MR. ROSNER: So, we're indicating by this CNO that no objection has been filed, but it certainly remains subject to the Court's review and hearing which is scheduled for April.

THE COURT: Right. It was not a CNO as to one of the monthly bills, it was a CNO as to the first quarterly application, which is why I raised the issue. That's fine. I think they should be set for hearing. Sounds like they're set for hearing on April 8th, and we'll simply proceed that way.

MR. ROSNER: Thank you.

FORM FED-25 PENGAD • 1-800-631-6989

THE COURT: Okay.

MS. WERKHEISER: Your Honor, it's the debtors intention at the April 8th hearing to present a proposed form of order as to all professionals which will be circulated prior to the hearing to the professionals to take a look at and give me their comments. But we will try to decrease administrative burden on the Court and present one order for all fee -- all quarterly fee applications.

THE COURT: All right, that's fine. Thank you.

MS. WERKHEISER: Thank you, Your Honor.

THE COURT: If there's nothing else, then we're adjourned.

MS. WERKHEISER: Thank you.

UNIDENTIFIED SPEAKER (TELEPHONIC): Thank you, Your Honor.

(Whereupon at 2:12 p.m. the hearing in this matter was concluded for this date.)

I, Elaine M. Ryan, approved transcriber for the United States Courts, certify that the foregoing is a correct transcript from the electronic sound recording of the proceedings in the above-entitled matter.

Elaine M. Ryan 4-01-04

Elaine M. Ryan
2801 Faulkland Road
Wilmington, DE 19808
(302) 683-0221

FORM FED-25 ● PENGAD • 1-800-631-6989