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9 **UNITED STATES BANKRUPTCY COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**
11 **SANTA ANA DIVISION**

12 In re

13 JAMES C. GIANULIAS,

14 Debtor and Debtor-in-Possession.

15 CAMEO HOMES, a California corporation,

17 Debtor and Debtor-in-Possession.

19 RELATES TO JAMES C. GIANULIAS.

) Case No. 8:08-bk-13150-RK

) Substantively Consolidated With:
) Case No. 8:08-bk-13151-RK

) Chapter 11

) **SECOND INTERIM APPLICATION OF**
) **IRELL & MANELLA LLP, GENERAL**
) **INSOLVENCY COUNSEL TO JAMES C.**
) **GIANULIAS AND CAMEO HOMES, FOR**
) **COMPENSATION AND**
) **REIMBURSEMENT OF COSTS;**
) **MEMORANDUM OF POINTS AND**
) **AUTHORITIES; AND DECLARATION OF**
) **ALAN J. FRIEDMAN IN SUPPORT**
) **THEREOF**

) **HEARING DATE:**

) **Date:** August 13, 2009

) **Time:** 11:00 a.m.

) **Place:** Courtroom 5D

SUMMARY OF FEES AND COSTS REQUESTED BY APPLICANT

Application Period	12/1/08 – 5/31/09
Total Hours Billed	1,305.70
Total Fees:	\$798,347.50
Total Costs:	\$15,843.07
Total Request	\$814,190.57
Blended Hourly Rate	\$611
Amount Received During Application Period	\$171,245.61
Amount of Fee Holdbacks (i.e., 25% of fees ¹)	\$218,929.00 (From First Interim Fee Application)
	\$199,586.87 (From subject (Second) Interim Fee Application)

¹ Based on voluntary agreement with Debtors.

1 **TO THE HONORABLE ROBERT W. KWAN, UNITED STATES BANKRUPTCY**
2 **JUDGE:**

3 Pursuant to the provisions of 11 U.S.C. § 330, Irell & Manella LLP ("Applicant" or the
4 "Firm"), general insolvency counsel for James C. Gianulias ("Gianulias") and Cameo Homes, a
5 California corporation ("Cameo"), the debtors and debtors-in-possession in the above-
6 captioned substantively consolidated cases (the "Debtors"), hereby respectfully applies to this
7 Court for its second interim award of fees for professional services rendered and for
8 reimbursement of expenses incurred on behalf of the Debtors (the "Application").

9 By this Application, Applicant seeks an order of this Court awarding compensation for
10 professional services rendered to, and reimbursement of expenses incurred on behalf of the
11 Debtors for the time period from December 1, 2008 through and including May 31, 2009
12 ("Application Period"). Applicant is requesting fees for services rendered during the
13 Application Period in the amount of \$798,347.50 and reimbursement of its expenses incurred
14 on behalf of the Debtors in the amount of \$15,843.07 for a total of \$814,190.57.

15 In support of this Application, Applicant represents as follows:

16 On June 6, 2008, three creditors of Gianulias commenced an involuntary case against
17 Gianulias under chapter 7 of the Bankruptcy Code. Concurrently, the same three creditors
18 commenced an involuntary chapter 7 case against Cameo Homes.

19 On July 1, 2008, Gianulias and Cameo filed their respective Consents to the Entry of an
20 Order for Relief and Election to Convert Chapter 7 case to case under chapter 11 of the
21 Bankruptcy Code.

22 On July 2, 2008, this Court entered Orders for Relief and converted the Debtors' cases to
23 ones under chapter 11 (collectively, the "Chapter 11 Cases").

24 On July 25, 2008, this Court entered the "Order Granting Debtor's Motion for Order
25 Authorizing Joint Administration of Related Cases Pursuant to 11 U.S.C. § 105 and Bankruptcy
26 Rule 1015(b)," thereby jointly administering the Chapter 11 Cases under case number 08-13150.

27 On August 4, 2008, the United States Trustee appointed an official committee of unsecured
28 creditors (the "Committee") in the Chapter 11 Cases.

1 On September 9, 2008, this Court entered its order authorizing Applicant's employment
2 as general insolvency counsel for Gianulias ("Employment Order"), effective July 2, 2008. A
3 true and correct copy of the Employment Order is attached as Exhibit "A" to the Declaration of
4 Alan J. Friedman ("Declaration") appended hereto.

5 On December 11, 2008, this Court entered the "Order Substantively Consolidating the
6 Chapter 11 estate of Cameo into the Chapter 11 estate of Gianulias" at which time Applicant
7 became counsel to both Gianulias and Cameo.

8 On January 16, 2009, the Firm filed its "First Interim Application of Irell & Manella
9 LLP, General Insolvency Counsel to James C. Gianulias and Cameo Homes, for Compensation
10 and Reimbursement of Costs" (the "First Interim Fee Application"), covering the period July 2,
11 2008 through November 30, 2008. By the First Interim Fee Application, the Firm sought
12 professional fees in the amount of \$875,716.00 and interim costs in the amount of \$30,548.66
13 for a total of \$906,264.66.

14 On March 18, 2009, this Court entered its order (the "First Interim Fee Order") on the
15 First Interim Fee Application. By the First Interim Fee Order, the Court allowed on an interim
16 basis fees of \$875,716.00 and costs of \$30,548.66. The First Interim Fee Order further
17 provided, in part, that the Debtors were authorized to make payments up to 75% of the allowed
18 accrued fees and 100% of the allowed accrued costs.

19 On March 31, 2009, the Debtors filed the "Debtors' Joint Plan of Reorganization dated
20 March 31, 2009" (the "Plan") and related disclosure statement (the "Disclosure Statement").

21 This Application is the Applicant's second interim fee application. By this Application,
22 Applicant seeks an order approving compensation and reimbursement of expenses incurred on
23 behalf of the Debtors from December 1, 2008² through May 31, 2009 (the "Second Application
24 Period"), in the aggregate amount of \$814,190.57. Applicant's request consists of
25 compensation for services rendered to the Debtors in the amount of \$798,347.50 and
26 reimbursement of expenses incurred on behalf of the Debtors in the amount of \$15,843.07.

27
28 ² December 11, 2008 with respect to Cameo.

1 Applicant understands and agrees that, if the aggregate interim payments made to the
2 Firm from property of the Debtors' estate exceed the amount that is ultimately allowed by this
3 Court, the Firm will be required to, and will, promptly repay to the estate such difference.

4 Applicant incorporates by reference herein the statements made in the attached
5 Declaration. This Application is made and based upon the attached Memorandum of Points
6 and Authorities, the attached Declaration, all pleadings on file in this case, and all evidence,
7 both oral and written, that may be submitted prior to or at the time of the hearing on this
8 Application.

9 **WHEREFORE**, Applicant requests that this Court enter an order as follows:

10 1. Awarding to Applicant compensation for the Application Period, on an interim
11 basis, in the amount of \$798,347.50, of which \$159,562.77 has been paid;

12 2. Awarding to Applicant reimbursement for out-of-pocket expenses incurred on
13 behalf of the Debtors in the amount of \$15,843.07, of which \$11,682.84 has been paid;

14 3. Authorizing and directing the Debtors to pay to Applicant any outstanding balance
15 of fees and costs owed to Applicant as requested by this Application and in accordance with the
16 Court's ruling on this Application; and

17 4. Granting to Applicant such other and further relief as the Court may deem just and
18 proper under the circumstances of this case.

19 DATED: July 22, 2009

IRELL & MANELLA LLP

20 By: _____

21 Alan J. Friedman

22 Kenneth A. Lyman

23 General Insolvency Counsel to Debtors and Debtors-
24 in-Possession, James C. Gianulias and Cameo Homes

MEMORANDUM OF POINTS AND AUTHORITIES**I.****INTRODUCTION**

This is Applicant's second interim fee application in these Chapter 11 Cases. During the Application Period, as discussed herein and in the Declaration appended hereto, Applicant has been required to expend substantial time and resources in representing the Debtors in all aspects of these cases. These Chapter 11 Cases have been particularly unique, as well as challenging, due to the fact that Gianulias is an individual. As a result, these cases have required the interpretation of certain provisions added to the Bankruptcy Code by the 2005 Amendments which are applicable only to individual Chapter 11 debtors. This situation is further complicated by the complex relationship among Gianulias, Cameo and the numerous entities in which Gianulias and Cameo have an ownership interest.

Throughout the Chapter 11 Cases, the Debtors and Applicant have acted as expeditiously as possible in developing and proposing the Plan, while at the same time continuing to operate the Debtors' business and prepare a going-forward business model. The Debtors and Applicant believe that the Plan complies with all of the requirements of the Bankruptcy Code and provides a meaningful distribution to creditors, while at the same time allowing the Debtors to continue in their business endeavors, post-confirmation. Despite these efforts, the Committee has taken an adversarial position in almost every matter and proceeding in these cases, as well as monopolized a substantial portion of the Debtors' time and estate resources with extensive document requests. As a result, these Chapter 11 Cases have been incredibly contentious and expensive.

Applicant believes that the services which it has provided have been of substantial benefit to the Debtors, and have allowed the Debtors to make significant progress toward confirmation of the Plan. Applicant has also provided a number of other necessary services, including preparing a motion to resolve various confirmation issues, meeting with the Committee on a number of occasions in an effort to reach a consensual resolution of certain plan issues, defending Gianulias against the "lavish lifestyle" motion filed by the Committee, and assisting the Debtors in connection with the Committee's extensive information requests.

1 Hence, given the necessity of Applicant's services and the favorable results Applicant has
2 obtained to date, Applicant requests that the Court approve this Application for payment of fees
3 and reimbursement of costs as requested herein.

4 II.

5 **FACTUAL BACKGROUND**

6 **A. Background of the Debtors**

7 On June 6, 2008, three creditors of Gianulias commenced an involuntary case against
8 Gianulias under chapter 7 of the Bankruptcy Code. Concurrently, the same three creditors
9 commenced an involuntary chapter 7 case against Cameo.

10 On July 1, 2008, Gianulias and Cameo filed their respective Consents to the Entry of an
11 Order for Relief and Election to Convert Chapter 7 case to case under chapter 11 of the
12 Bankruptcy Code.

13 On July 2, 2008, this Court entered Orders for Relief and converted the Debtors' cases to
14 ones under chapter 11.

15 On July 25, 2008, this Court entered the "Order Granting Debtor's Motion for Order
16 Authorizing Joint Administration of Related Cases Pursuant to 11 U.S.C. § 105 and Bankruptcy
17 Rule 1015(b)," thereby jointly administering the Debtors' cases under case number 08-13150.

18 On August 4, 2008, the United States Trustee appointed the Committee in the Chapter 11
19 Cases.

20 On December 11, 2008, this Court entered the "Order Substantively Consolidating the
21 Chapter 11 estate of Cameo into the Chapter 11 estate of Gianulias" at which time Applicant
22 became counsel to both Gianulias and Cameo.

23 On March 31, 2009, the Debtors filed the "Debtors' Joint Plan of Reorganization dated
24 March 31, 2009" (the "Plan") and related Disclosure Statement (the "Disclosure Statement").

25 **B. The Debtors' Operations**

26 Gianulias is an individual who has been in the business of real estate development for
27 approximately forty years. Gianulias owns an interest in a number of single asset real estate
28 entities that were formed to purchase and develop real estate. Cameo also owns an interest in a

1 number of single asset real estate ventures that were formed to purchase and develop real estate.
2 Cameo holds an interest in many of the same real estate entities in which Gianulias holds an
3 interest. Gianulias owns 100% of Cameo and therefore has an indirect interest in all of Cameo's
4 interests in the various real estate entities. The real estate entities owned in part by Gianulias and
5 Cameo include limited liability companies, general partnerships, and limited partnerships
6 (collectively, the "Companies"). The Companies comprise a substantial portion of the Debtors'
7 assets.

8 **C. Gianulias' Current Financial Condition**

9 Distributions received by the Debtors for the period of January 2009 through May 2009
10 averaged \$406,300 per month. The amount of unrestricted cash on hand in the estates as of June
11 30, 2009 was approximately \$249,982.

12 The Debtors are not aware of the total amount of administrative expenses accrued to date
13 in his case given that the Debtors' professionals, including Applicant and the Committees'
14 professionals, are just now filing their second interim fee applications. However, the Debtors
15 estimate that, as of July 1, 2009, that there were approximately \$2,117,922.49³ in unpaid
16 professional fees that are authorized to be paid.

17 **D. Background of Applicant**

18 Applicant is a limited liability partnership with its offices in Newport Beach and Los
19 Angeles, California. Applicant is comprised of attorneys duly licensed to practice law before the
20 courts of the State of California and numerous United States District Courts, including the United
21 States District Court for the Central District of California. Applicant, among other fields,
22 specializes in the fields of bankruptcy, corporate reorganization and insolvency law.

23 During the Application Period, William N. Lobel ("Mr. Lobel"), a former partner of
24 Applicant, turned 65 years of age on December 25, 2008, and, in accordance with Applicant's
25 retirement policy, retired from Applicant. As of January 2, 2009, Mr. Lobel formed a new firm,
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28 ³ This estimate includes the 25% holdback previously authorized by the Court. This estimate is net
of any retainer amount applied to date against the outstanding amount owed to the professionals.

1 The Lobel Firm ("TLF"), which has been employed as special counsel to the Debtors. Although
2 Applicant and TLF are separate law firms, Applicant and TLF have and continue to handle these
3 Chapter 11 Cases in the same manner as if Mr. Lobel were still a partner at Applicant.

4 Pursuant to Local Bankruptcy Rule 2016-1, the Declaration attached hereto sets forth
5 information regarding Applicant and the professionals who are employed by Applicant that billed
6 time to the Debtors, as well as the status of this case, including a narrative summary of the
7 services performed by Applicant and the resulting benefits.

8 **E. Significant Events Requiring Applicant's Attention During Application Period**

9 The following is a non-exclusive list of several of the significant events that have required
10 Applicant's attention during the period covered by this Application.

11 **1. Committee's Motion to Limit Use of Estate Property**

12 On November 4, 2008, the Committee filed a motion requesting that the Court (i) prohibit
13 Gianulias from using estate property to fund what the Committee believed to be unreasonable
14 personal expenses; (ii) require Gianulias to establish a reasonable monthly budget; and (iii) require
15 Gianulias to sequester the remaining estate funds at the end of each month in a segregated interest
16 bearing account pending further Court orders. A hearing on the motion was set for December 3,
17 2009. Applicant prepared an opposition to the motion, which was filed in November 2008.
18 During the Application Period, Applicant was required to expend time and resources preparing for
19 and attending a hearing on the Committee's motion.

20 In addition, in an attempt to reach a mutually agreeable compromise, Applicant met with
21 the Committee to discuss the Committee's motion. At the conclusion of the meeting, Gianulias
22 agreed to provide the Committee with additional information regarding the operations, costs,
23 expenses and budget items of two non-debtor entities (G Companies Management, Inc. ("G
24 Companies") and Mesa Management, Inc. ("Mesa")), to continue the hearing on the motion and to
25 expand the matters to be considered at the continued hearing to include the reasonableness of the
26 expenditures and fees and costs incurred by G Companies and Mesa. The hearing on the motion
27 was subsequently continued again in order to attempt to resolve the issues raised therein.

28 Applicant continued to attempt to reach a mutually agreeable compromise with respect to the

1 issues raised in the Committee's motion, reviewing documents, and in addressing issues raised by
2 the Committee.

3 At a hearing on July 1, 2009, the Court denied the motion on the grounds that Gianulias'
4 expenses were reasonable.

5 **2. Sale of Estate Property**

6 In November 2008, Applicant prepared and filed a motion to sell Gianulias' regular
7 membership interest in Big Canyon Country Club to David Gianulias at a price of \$226,5000.
8 During this Application Period, Applicant spent time resolving an objection filed by the
9 Committee and preparing for and attending a hearing on the motion. On December 8, 2008, the
10 Court entered an order authorizing the sale.

11 In addition, during the Application period, Applicant and the Debtors spent time discussing
12 the potential sale of some or all of the Debtors assets, and met with a potential purchaser.
13 Applicant assisted the Debtors in connection with analyzing and addressing issues relating to the
14 sale of estate assets and potential loan restructuring issues.

15 **3. Substantive Consolidation of the Debtors' Estates**

16 On November 7, 2008, the Debtors filed the "Motion for Order Substantively
17 Consolidating Chapter 11 Estate of Cameo Homes Into Chapter 11 Estate of James C. Gianulias"
18 (the "Substantive Consolidation Motion"). Several oppositions to the motion were filed, including
19 an opposition by the Committee. Thereafter, Applicant, on behalf of the Debtors, entered into
20 discussions with the Committee and other objecting parties that resulted in the successful
21 resolution of the existing disputes among the parties. Applicant also spent time preparing for and
22 attending a hearing on the Substantive Consolidation Motion, and negotiating with various parties-
23 in-interest in connection with the consensual order granting the Substantive Consolidation Motion.
24 The order was carefully crafted to address, and in some instances limit, the effects of substantive
25 consolidation in the Chapter 11 Cases.⁴

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27 ⁴ As part of the negotiations, in order to mitigate some of the harmful effects of consolidation and
28 ensure that creditors were not adversely impacted, the parties added language to limit the operative effects
of the Substantive Consolidation Order. The provisions contained in the Substantive Consolidation Order
provide that: (1) distributions to unsecured creditors under the consolidated plan must provide them with

1 Following the hearing on the Substantive Consolidation Motion, the Court issued an Order
2 to Show Cause why certain inter-company claims would not be eliminated. Applicant spent time
3 discussing the Order to Show Cause with various parties, preparing a joint response with the
4 Committee, and preparing for and attending a telephonic hearing on the Order to Show Cause.
5 Following this hearing, on December 11, 2008, the Court entered an order substantively
6 consolidating Cameo's chapter 11 estate into Gianulias' chapter 11 estate (the "Substantive
7 Consolidation Order").

8 **4. Assume, Assign or Reject Leases**

9 In or about January 2009, Applicant prepared a motion requesting that the Court approve
10 Gianulias' assumption of two unexpired leases of non-residential real property: (i) a warehouse
11 lease for the storage of several valuable vehicles; and (ii) a lease for storage space at Rolf's for
12 Gianulias' wine collection. The motion was filed on January 28, 2009, and on February 25, 2009,
13 the Court entered an order authorizing Gianulias to assume such unexpired leases.

14 **5. Retention of Professionals and Fee Applications**

15 As the Court is aware, numerous professionals have been employed by both the Debtors
16 and the Committee. As a result Applicant has been required to expend time and resources in
17 assisting various professionals with respect to requirements and procedures relating to their
18 employment and related fee procedures. During the period covered by this Application, the
19 Applicant prepared its first interim fee application and assisted the Debtors' professionals in the
20 preparation of their respective fee applications. Applicant also attended the hearing on the same.

21 Applicant also spent time responding to this Court's order to show cause regarding the
22 payment of professionals on a monthly basis. In connection with the order to show cause,
23 Applicant negotiated an arrangement whereby all professionals agreed to a 25% holdback.

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26 not less than they would have received from the entity against which they held claims absent substantive
27 consolidation; (2) creditors who held claims against both Debtors are not subject to objection solely on the
28 grounds that the claims are duplicative; (3) the consolidation shall not affect the tax status of the Debtors;
(4) the Debtors' right to abandon property is not impaired by substantive consolidation; (5) abandonment of
assets post-consolidation will not have an adverse tax effect; and (6) inter-company claims are not
eliminated. See Substantive Consolidation Order, p. 4.

1 **6. Extension of Exclusivity for Filing and Soliciting Votes on the Plan**

2 In or about October 2008, Applicant prepared a motion requesting that the Court extend
3 the Debtors' exclusivity periods for filing a plan of reorganization from October 30, 2008 to
4 January 28, 2009 and their exclusivity periods for soliciting acceptances to their plan from
5 December 29, 2008 to March 30, 2008 (the "First Exclusivity Motion"). The First Exclusivity
6 Motion was opposed by the Committee. However, at the hearing held on December 3, 2009, the
7 Court granted the First Exclusivity Motion and on December 16, 2008, the Court entered an order
8 extending the Debtors' exclusive right to file a plan of reorganization through January 28, 2009,
9 and their exclusive right to solicit acceptances to their plan through March 30, 2009.⁵ Applicant
10 spent time preparing for and attending this hearing, as well as discussing the First Exclusivity
11 Motion with the Committee.

12 Thereafter, although the Debtors were prepared to file their plan of reorganization, the
13 Debtors and the Committee agreed to two further extensions of the exclusivity periods in order to
14 provide the parties additional time to resolve disputed issues. Applicant spent time negotiating
15 and documenting the extensions. On March 16, 2009, the Court entered an order extending the
16 Debtors' exclusive period to file a plan to March 31, 2009 and the Debtors' exclusive solicitation
17 period to June 1, 2009. During this time, Applicant, on behalf of the Debtors, met with the
18 Committee and their professionals on a number of occasions and had frequent discussions in an
19 effort to reach a consensus on the terms of a proposed plan and completing their valuations of the
20 Debtors assets.

21 **7. The Plan**

22 Although the Debtors and the Committee were able to reach a resolution of certain
23 disputed plan issues prior to March 31, 2009, several critical issues remained disputed. The
24 parties could not agree on further extensions of the exclusivity periods and therefore, on March 31,
25 2009, the Debtors filed the Plan. Applicant spent significant time drafting the Plan and Disclosure

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28 ⁵ Which date was further extended to June 1, 2009, pursuant to a Stipulation entered into between
the Debtors and the Committee.

1 Statement and researching various related factual and legal issues. These issues included an
2 analysis of the relatively new provisions of the Bankruptcy Code that apply solely to individuals
3 and the application of said provisions to these consolidated cases. Moreover, many of these issues
4 required analysis without the benefit of any case law. Applicant also met with the Debtors and
5 other professionals regarding their going-forward business plan and valuation of assets.

6 The Debtors and Applicant believe that the Plan satisfies all of the requirements of section
7 1129 of the Bankruptcy Code. However, Applicant has continued to negotiate with the
8 Committee on behalf of the Debtors with respect the disputed issues after the Plan was filed.
9 These negotiations began in earnest in April 2009, when Applicant provided the Committee with a
10 proposed global resolution of all Plan issues. Applicant continued to meet with the Committee
11 from April through June 2009, including a meeting with the chair of the Committee and Housing
12 Capital Company, one of the largest creditors in the cases, on May 13, 2009, where Applicant
13 proposed a global resolution of the Debtors' cases. Applicant prepared three separate settlement
14 proposals for the Committee, each of which required substantial time and effort by Applicant.

15 **8. The Confirmation Issues Cross-Motions**

16 Recognizing that a number of issues pertaining to the confirmation requirements of Section
17 1129(a) might impact the treatment of unsecured creditors under the Plan, the Debtors and the
18 Committee agreed that certain issues should be determined in advance of the hearing on approval
19 of the Debtors' Disclosure Statement and the hearing on confirmation of the Plan. Applicant
20 negotiated a stipulation with the Committee whereby the Debtors and the Committee would file
21 cross-motions setting out their position on three critical confirmation issues (the "Issues
22 Stipulation"). The Issues Stipulation set forth a briefing schedule to file the cross-motions with
23 respect to the Confirmation Issues and an expedited appeal process. On May 14, 2009, the Court
24 entered an order approving the Issues Stipulation and setting a hearing on the cross-motions on
25 June 25, 2009.

26 Applicant spent significant time performing legal research with respect to the confirmation
27 issues and preparing the motion pursuant to the Issues Stipulation, which was filed on May 28,
28 2009. The Committee filed their motion concurrently. Applicant then spent time responding to

1 the Committee's motion, preparing a reply in support of the Debtors' motion and preparing for
2 and attending the hearing on the motions.

3 The Court considered both motions at a hearing on June 25, 2009. After hearing
4 arguments from counsel for the Debtors and the Committee, the Court requested supplemental
5 briefing on two limited issues. A further hearing on the motions has been set for August 13, 2009.

6 **9. Valuation**

7 In order to prepare a plan of reorganization that would satisfy the requirements of section
8 1129 of the Bankruptcy Code, including, without limitation, the "best interests of creditors" test
9 found in subsection (a)(7)(A)(ii), the Debtors were required to obtain expert valuations of the
10 Companies. As a result, the Debtors secured the services of FTI to value their assets. Since the
11 inception of these cases, FTI, with the assistance of the Debtors and Applicant, when necessary,
12 has worked tirelessly to analyze and value the Companies, as well as the remaining assets of the
13 Debtors.

14 Among other things, Applicant and FTI have met with the Committee and their
15 professionals on a number of occasions to discuss the valuations prepared by FTI and Deloitte, to
16 determine the areas of agreement and disagreement, and the methodology used to reach the
17 valuations. The parties have also prepared, analyzed and discussed the cash flow projections for
18 the Debtors by the various professionals. Finally, Applicant has prepared status reports for the
19 Court on the valuation process.

20 **10. Motion to Terminate Exclusivity**

21 On or about April 3, 2009, the Committee filed its Motion for Order Authorizing
22 Termination of Debtors' Plan Exclusivity (the "Motion to Terminate Exclusivity"). The
23 Committee alleged that the Plan was not confirmable because, among other things, the Plan
24 violated the absolute priority rule. The Committee therefore sought to terminate exclusivity in
25 order to file a competing plan to be heard on the same track as the Plan.

26 As a result of the Motion to Terminate Exclusivity, Applicant was required to expend time
27 and resources on preparing an opposition to the Motion, in reviewing the Committee's reply to the
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1 Debtors' opposition and in preparing for and attending a hearing on the Committee's Motion. On
2 or about April 14, 2009, the Court entered an order denying the Committee's Motion.

3 **11. Second Exclusivity Motion**

4 In or about May 2009, Applicant spent time preparing a motion requesting that the Court
5 further extend the Debtors' exclusivity period for soliciting acceptances to their plan from June 1,
6 2009 to September 1, 2009 ("Second Exclusivity Motion"). The Second Exclusivity Motion was
7 filed with the Court on May 29, 2009. The Committee opposed the motion. Applicant then spent
8 time preparing a reply in support of the Second Exclusivity Motion and preparing for and
9 attending the hearing on the Second Exclusivity Motion.

10 **12. Committee's Document Requests and Requests for Information**

11 Throughout the Chapter 11 Cases, the Committee and its professionals have sent the
12 Debtors numerous extensive and burdensome document requests and requests for information. To
13 date, the Committee and its professionals have made over 900 document requests and requests for
14 information from the Debtors. Among other things, the Committee and their professionals have
15 requested copies (front and back) of thousands of checks referenced in the bank statement for over
16 twenty (20) bank accounts provided by the Debtors to the Committee. The Committee's
17 professionals have also personally inspected Gianulias' residence as part of an inventory of
18 Gianulias' household furnishings.

19 In response to these requests, the Debtors and Applicant have been required to expend
20 time and estate resources toward analyzing the Committee's requests, gathering the responsive
21 information, reviewing such information and preparing responses. Management has actively
22 overseen the document production process (in addition to their standard job responsibilities), with
23 the assistance of Applicant, which has hindered the Debtors' and Applicant's efforts to dedicate
24 their time to confirming the Plan.

1 **13. Non-Dischargeability Actions**

2 In October 2008, three of Gianulias' creditors, Famille Holdings, L.P., California National
3 Bank, and Wachovia Bank, N.A. (collectively, the "Plaintiffs"),⁶ commenced adversary
4 proceedings (the "Non-Dischargeability Actions") by filing complaints against Gianulias to
5 determine the non-dischargeability of certain claims against Gianulias. Other than the different
6 plaintiffs, real estate development projects and loans, the legal theories alleged in the respective
7 Non-Dischargeability Actions are virtually identical.⁷

8 Although Gianulias has, since the filing of the complaints, employed separate counsel to
9 defend the Non-Dischargeability Actions, Applicant was required to expend time and resources on
10 its preliminary review and analysis of the allegations contained in the complaints in order to
11 determine their impact on the reorganization efforts in general. In addition, following the filing of
12 the complaints, Gianulias requested that Applicant analyze the ability of Gianulias to reimburse
13 Applicant out of estate funds for services provided in connection with the defense of the Non-
14 Dischargeability Actions. Believing that the successful defense of the Non-Dischargeability
15 Actions and corresponding elimination of millions of dollars in non-dischargeable debt would
16 confer a substantial benefit on Gianulias' estate, Applicant prepared a motion seeking this Court's
17 authorization to use estate funds to defend the actions. Although the motion was denied by the
18 Court, the Court did so without prejudice to defense counsel's ability to seek approval of its costs
19 should the Court determine that the defense resulted in a benefit to Gianulias' estate.

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25 ⁶ Wachovia Bank N.A. and California National Bank are also members of the Committee.

26 ⁷ Gianulias contends that at least three of the four actions are frivolous and Gianulias will be
27 seeking appropriate redress in the context of those actions. For instance, with respect to the California
28 National Bank actions, the alleged fraudulent financial statement was not even delivered to the bank until
after the loans in question has been approved and funded. Gianulias anticipates obtaining summary
judgment later this summer.

III.

**APPLICANT HAS COMPLIED WITH THE REQUIREMENTS OF RULE 2016
OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, LOCAL
BANKRUPTCY RULE 2016-1 AND THE UNITED STATES TRUSTEE GUIDES**

Rule 2016 of the Federal Rules of Bankruptcy Procedure states, in pertinent part, as follows:

(a) Application for Compensation or Reimbursement. An entity seeking interim or final compensation for services, or reimbursement of necessary expenses, from the estate shall file an application setting forth a detailed statement of (1) the services rendered, time expended and expenses incurred, and (2) the amounts requested. An application for compensation shall include a statement as to what payments have theretofore been made or promised to Applicant for services rendered or to be rendered in any capacity whatsoever in connection with the case, the source of the compensation so paid or promised, whether any compensation previously received has been shared and whether an agreement or understanding exists between Applicant and any other entity for the sharing of compensation received or to be received for services rendered in or in connection with the case

Applicant has reviewed the requirements imposed by Local Bankruptcy Rule 2016-1 and believes that this Application complies with the same. The Declaration sets forth all information required by Rule 2016 of the Federal Rules of Bankruptcy Procedure and Local Bankruptcy Rule 2016-1, including a narrative summarizing the services performed by Applicant on behalf of the Debtors.

IV.

**THE BANKRUPTCY CODE PROVIDES FOR THE ALLOWANCE
OF COMPENSATION AND FOR REIMBURSEMENT FOR EXPENSES**

Section 330 of the Bankruptcy Code authorizes the allowance of compensation and reimbursement of expenses. Section 330 of the Bankruptcy Code provides that a bankruptcy court may award to the debtor's or a committee's attorney reasonable compensation for actual, necessary services rendered by the attorney, based on the time, the nature, the extent and the value of such services, and the cost of comparable services to a non-debtor, as well as reimbursement of the actual, necessary expenses expended by the attorney on behalf of the debtor. Section 330 provides, in part, as follows:

1
2 (a)(1) [T]he court may award to a trustee, an examiner, a
professional person employed under section 327 or 1103 –

- 3 (A) reasonable compensation for actual, necessary
4 services rendered by the trustee, examiner, professional
person, or attorney and by any paraprofessional person
5 employed by any such person; and
(B) reimbursement for actual, necessary expenses.

* * *

6 (3)(A) In determining the amount of reasonable
7 compensation to be awarded, the court shall consider the
nature, the extent, and the value of such services, taking into
8 account all relevant factors, including --

- 9 (A) the time spent on such services;
10 (B) the rates charged for such services;
11 (C) whether the services were necessary to the
administration of, or beneficial at the time at which the
12 service was rendered toward the completion of, a case under
this title;
13 (D) whether the services were performed within a
reasonable amount of time commensurate with the
14 complexity, importance, and nature of the problem, issue, or
task addressed; and
(E) whether the compensation is reasonable, based on the
customary compensation charged by comparably skilled
practitioners in cases other than cases under this title.

15 11 U.S.C. § 330(a).

16 The details in this Application, the attached Declaration and Applicant's detailed
17 time records attached as Exhibit "C", establish that the requested fees were reasonable and
18 necessary given the circumstances of this case and the results obtained.

19 Accordingly, Applicant's request for compensation for services rendered to, and
20 reimbursement of expenses incurred on behalf of the Debtors during the Application
21 Period satisfy the requirements of section 330 of the Bankruptcy Code.

V.

CONCLUSION

Based upon the time spent by Applicant, the results obtained, the experience of Applicant, as well as the fact that Applicant's fees and costs are comparable to those charged by similar law firms, Applicant hereby requests that the Court, on a interim basis, approve this Application for payment of fees and reimbursement of costs as prayed.

DATED: July 22, 2009

IRELL & MANELLA LLP

By: _____

Alan J. Friedman

Kerri A. Lyman

General Insolvency Counsel for Debtors, James C.
Gianulias and Cameo Homes

DECLARATION OF ALAN J. FRIEDMAN

I, Alan J. Friedman hereby declare and state as follows:

1. I am a partner at the law firm of Irell & Manella LLP ("Applicant"), general insolvency counsel for James C. Gianulias ("Gianulias") and Cameo Homes, a California corporation ("Cameo"), the debtors and debtors-in-possession in the above-captioned substantively consolidated cases (the "Debtors"). I am licensed to practice in all of the courts of the State of California, and I am admitted to practice before the United States District Court, Central District of California. I am authorized to and make this declaration on behalf of Applicant.

2. I am one of the attorneys with Applicant who is primarily responsible for rendering services to the Debtors.

3. Unless otherwise indicated, the matters stated herein are within my personal knowledge and, if called as a witness, I could and would competently testify with respect thereto.

BACKGROUND OF APPLICANT

4. Applicant is a limited liability partnership which has offices in Los Angeles and Newport Beach, California. All attorneys that have appeared in these cases are duly licensed to practice in the courts of the State of California and various United States District Courts, including the Central District of California. A copy of Applicant's resume addressing the information required by Bankruptcy Rule 2016 and Local Rule 2016-1, including the education, qualification and experience of the members of Applicant's firm who rendered services to the Debtors during the Application Period, is attached hereto as Exhibit "B."

5. During the Application Period, William N. Lobel ("Mr. Lobel"), a former partner of Applicant, turned 65 years of age on December 25, 2008, and, in accordance with Applicant's retirement policy, retired from Applicant. As of January 2, 2009, Mr. Lobel formed a new firm, The Lobel Firm ("TLF"), which has been employed as special counsel to the Debtors. Although Applicant and TLF are separate law firms, Applicant and TLF have and continue to handle these cases in the same manner as if Mr. Lobel were still a partner at Applicant.

6. A summary setting forth each attorney who rendered services to the Debtors and the

1 year each was admitted to practice law is set forth hereinafter. The summary also includes the
2 name of the legal assistants who worked on these cases.

3 **BACKGROUND AND STATUS OF THESE CASES**

4 7. On June 6, 2008, three creditors of Gianulias commenced an involuntary case against
5 Gianulias under chapter 7 of the Bankruptcy Code. Concurrently, the same three creditors
6 commenced an involuntary chapter 7 case against Cameo.

7 8. On July 1, 2008, Gianulias and Cameo filed their respective Consents to the Entry of
8 an Order for Relief and Election to Convert Chapter 7 case to case under chapter 11 of the
9 Bankruptcy Code.

10 9. On July 2, 2008, this Court entered Orders for Relief and converted the Debtors' cases
11 to ones under chapter 11 (collectively, the "Chapter 11 Cases").

12 10. On July 25, 2008, this Court entered an "Order Granting Debtor's Motion for Order
13 Authorizing Joint Administration of Related Cases."

14 11. On August 4, 2008, the United States Trustee appointed an official joint committee of
15 unsecured creditors (the "Committee") in the Debtors' chapter 11 cases.

16 12. On or about September 9, 2008, this Court entered its order authorizing Applicant's
17 employment as general insolvency counsel to Gianulias, effective July 2, 2008.

18 13. On December 11, 2008, this Court entered an "Order Substantively Consolidating the
19 Chapter 11 estate of Cameo into the Chapter 11 estate of Gianulias" at which time Applicant
20 became counsel to both Gianulias and Cameo.

21 14. On March 31, 2009, the Debtors filed the "Debtors' Joint Plan of Reorganization
22 dated March 31, 2009" (the "Plan") and related disclosure statement (the "Disclosure Statement").

23 15. Applicant has performed those legal services necessary to adequately represent the
24 Debtors in these chapter 11 cases, as such is more particularly set forth herein. During this
25 Application Period, a substantial amount of time (in fact over half of the time incurred by
26 Applicant) was incurred in connection with plan formation, preparation of the Debtors' plan and
27 disclosure statement and numerous issues relating to the same. Applicant believe that the Plan
28 complies with all of the requirements of the Bankruptcy Code and provides a meaningful

1 distribution to creditors, while at the same time allowing the Debtors to continue in their business
2 endeavors, post-confirmation.

3 16. These Chapter 11 Cases have been particularly unique, as well as challenging, due to
4 the fact that Gianulias is an individual. As a result, these cases have required the interpretation of
5 certain provisions added to the Bankruptcy Code by the 2005 Amendments which are applicable
6 only to individual Chapter 11 debtors. An additional layer of complexity has been added due to
7 the fact that Cameo's estate has been consolidated into Gianulias' estates. This situation is further
8 complicated by the complex relationship among Gianulias, Cameo and the numerous entities in
9 which Gianulias and Cameo have an ownership interest. In an effort to resolve these issues,
10 Applicant and the Committee filed motions addressing certain critical legal issues prior to
11 confirmation of the Plan. Following a hearing on the motions, the Court requested additional
12 briefing and the motions remain pending.

13 17. Applicant believes that the services which it has provided have been of substantial
14 benefit to the Debtors, and have allowed the Debtors to make significant progress in toward
15 confirmation of the Plan. Applicant has also provided a number of other necessary services,
16 which are discussed in greater detail below. Given the necessity of Applicant's services and the
17 favorable results Applicant has obtained to date, Applicant requests that the Court approve this
18 Application for payment of fees and reimbursement of costs as requested herein.

19 **COMPENSATION REQUESTED BY APPLICANT**

20 14. Applicant received a pre-petition retainer in the amount of \$1,027,851.73⁸ Of the
21 \$1,027,851.73, the sum of \$302,851.73 was incurred for services rendered prior to the entry of the
22 Order for Relief, leaving a retainer of \$725,000.00 for services rendered after the entry of the
23 Order for Relief.

24 15. In accordance with the United States Trustee Guides and the Employment Order,
25 Applicant has filed Professional Fee Statements on a monthly basis, even after the retainer was
26 exhausted.

27
28 ⁸ Which included accrued interest of \$11,665.05.

1 16. On January 16, 2009, the Firm filed its "First Interim Application of Irell & Manella
2 LLP, General Insolvency Counsel to James C. Gianulias and Cameo Homes, for Compensation
3 and Reimbursement of Costs" (the "First Interim Fee Application"), covering the period July 2,
4 2008 through November 30, 2008. By the First Interim Fee Application, the Firm sought
5 professional fees in the amount of \$875,716.00 and interim costs in the amount of \$30,548.66 for
6 a total of \$906,264.66.

7 17. On March 18, 2009, this Court entered its order (the "First Interim Fee Order") on the
8 First Interim Fee Application. By the First Interim Fee Order, the Court allowed on an interim
9 basis fees of \$875,716.00 and costs of \$30,548.66. The First Interim Fee Order further provided,
10 in part, that the Debtors were authorized to make payments up to 75% of the allowed accrued fees
11 and 100% of the allowed accrued costs.

12 18. This is Applicant's second interim application for compensation for services rendered
13 and reimbursement of costs incurred. By this Application, Applicant is requesting the approval,
14 on an interim basis, of compensation in the amount of \$798,347.50 and reimbursement of
15 expenses incurred on behalf of the Debtors in the amount of \$15,843.07, for a total award of
16 \$814,190.57, of which \$171,245.61 has been paid. Applicant further requests that this Court
17 authorize and direct the Debtors to pay to Applicant any outstanding fees and costs owed to
18 Applicant as requested by this Application in and in accordance with the Court's ruling on this
19 Application.

20 **SERVICES RENDERED BY APPLICANT**

21 18. In compliance with the requirements of the United States Trustee Guides, Applicant
22 has created separate categories for the types of services rendered to the Debtors. An analysis of
23 each professional and paraprofessional's time spent in each category is set forth hereinafter. A
24 summary of the breakdown of services is as follows:

25 100	Asset Analysis and Recovery
26 200	Asset Disposition
27 300	Business Operations

400	Case Administration
500	Claims Administration and Objections
600	Employee Benefits/Pension
700	Fee/Employment Application
800	Fee/Employment Objections
1000	Litigation
1100	Meetings of Creditors
1200	Plan and Disclosure Statement
1800	Tax Issues
1900	Valuation
2000	Relief from Stay Proceedings
2100	Services For Other Professionals

19. The following is a breakdown of the time spent and the fees incurred in each category of services to which professional time was billed during the period of time encompassed by this Application:

<u>Matter/Category</u>	<u>Total Hours</u>	<u>Total Fees Incurred</u>
100- Asset Analysis and Recovery	16.20	\$7,133.00
200 – Asset Disposition	18.70	\$13,440.50
300 – Business Operations	104.40	\$81,448.00
400 – Case Administration	75.20	\$32,641.50
500 – Claims Administration and Objections	28.30	\$18,171.50
600 – Employee Benefits/Pension	3.60	\$1,262.00
700 – Fee/Employment Application	70.30	\$31,196.00
800 – Fee/Employment Objections	10.80	\$7,181.00

1	1000 – Litigation	55.90	\$29,728.00
2	1100 – Meetings of Creditors	.70	\$151.00
3	1200 – Plan and Disclosure	681.50	\$442,295.50
4	Statement		
5	1800 – Tax Issues	157.90	\$96,468.50
6	1900 – Valuation	11.50	\$8,303.00
7	2000 – Relief from Stay Proceedings	14.40	\$8,654.00
8	2100 - Services For Other	56.30	\$20,274.00
9	Professionals		
10	TOTAL:	1,305.70	\$798,347.50

20. The following is an overview of time spent and fees incurred in each category where professional or paraprofessional time was billed:

(0100) Asset Analysis and Recovery. Applicant spent 16.20 hours and charged a total of \$7,133.00 in professional fees in this category of service. The blended hourly rate for services performed in this category was approximately \$440 per hour.

<u>Attorney/Paralegal</u>	<u>Hourly Rate</u>	<u>Total Hours</u>	<u>Total Fees Due</u>
Alan J. Friedman	\$820.00	1.40	\$1,148.00
Kerri A. Lyman	\$590.00	1.50	\$885.00
Kerri A. Lyman	\$535.00	.40	\$214.00
Issa K. Moe	\$420.00	10.10	\$4,242.00
Lori S. Gauthier	\$230.00	2.80	\$644.00
TOTAL		16.20	\$7,133.00

During this Application Period, Applicant assisted the Debtors in analyzing issues relating to its assets and various leases. Specifically, during the Application Period, Applicant performed the following services with respect to this category:

- Analyzed issues relating to exempt assets;

- Reviewed and analyzed various leases and contacts;
- Prepared a motion to assume two unexpired leases of non-residential real property relating to a warehouse and wine storage facility, which was granted;
- Reviewed and analyzed documents relating to potential avoidance actions;
- Analyzed factual and legal issues regarding scheduled sale of estate property; and
- Reviewed documents relating to pending discovery requests.

(0200) Asset Disposition. Applicant spent 18.70 hours and charged a total of \$13,440.50 in professional fees in this category of service. The blended hourly rate for services performed in this category was approximately \$718 per hour.

<u>Attorney/Paralegal</u>	<u>Hourly Rate</u>	<u>Total Hours</u>	<u>Total Fees Due</u>
William N. Lobel	\$850.00	.70	\$595.00
Alan J. Friedman	\$820.00	13.90	\$11,398.00
Alan J. Friedman	\$775.00	.40	\$310.00
Kerri A. Lyman	\$535.00	.20	\$107.00
Issa K. Moe	\$325.00	2.50	\$812.50
Lori S. Gauthier	\$230.00	.40	\$92.00
Lori S. Gauthier	\$210.00	.60	\$126.00
TOTAL		18.70	\$13,440.50

During this Application Period, Applicant assisted the Debtors in analyzing and addressing issues relating to the sale of estate assets and issues relating to potential loan restructuring.

During the Application Period, Applicant performed the following services with respect to this category:

- Reviewed and analyzed documents and issues relating to the sale of Gianulias' regular membership interest in Big Canyon Country Club, including finalizing the motion authorizing the sell the membership and related declaration;

- Prepared for and attended a hearing on the motion to sell Gianulias' membership interest in Big Canyon Country Club, which motion was granted;
- Reviewed and analyzed issues relating to the order extending the time to assume or reject non-residential real property;
- Analyzed sale scenarios, including analysis of related tax issues;
- Analyzed issues relating to potential sale of the Debtors' assets and review documents regarding potential disposition of assets or foreclosure of assets;
- Attended meeting with potential purchaser of assets;
- Analyzed documents related to potential loan restructuring; and
- Analyzed factual position of creditor Key Bank and legal research regarding same.

(0300) Business Operations. Applicant spent 104.40 hours and charged a total of \$81,448.00 in professional fees in this category of service. The blended hourly rate for services performed in this category was approximately \$780 per hour.

<u>Attorney/Paralegal</u>	<u>Hourly Rate</u>	<u>Total Hours</u>	<u>Total Fees Due</u>
William N. Lobel	\$850.00	.10	\$85.00
Alan J. Friedman	\$820.00	81.10	\$66,502.00
Alan J. Friedman	\$775.00	11.50	\$8,912.50
Kyle Kawakami	\$780.00	1.00	\$780.00
Kerri A. Lyman	\$590.00	7.30	\$4,307.00
Kerri A. Lyman	\$535.00	.30	\$160.50
Lori S. Gauthier	\$230.00	2.50	\$575.00
Lori S. Gauthier	\$210.00	.60	\$126.00
TOTAL		104.40	\$81,448.00

The services rendered in this category relate to a wide variety of issues that have arisen throughout the course of this case. These services range from analysis and counsel regarding Debtors' day-to-day operations to such things as analysis of going-forward business plan and the

1 preparation of a motion to approve a loan agreement between Gianulias and a related partnership.

2 Specifically, during the Application Period, Applicant performed the following services with

3 respect to this category:

- 4 • Prepared for and attended hearing on the motion for substantive consolidation and
- 5 motion for an extension of exclusivity, including attending a conference with the
- 6 Debtors and reviewing relevant documents;
- 7 • Reviewed and analyzed various issues regarding the ongoing business operations
- 8 relative to the Debtors and the Companies (including Mesa and G Companies);
- 9 • Analyzed issues relating to the Debtors' going-forward business plan;
- 10 • Addressed issues resulting from the Committee's extensive ongoing document
- 11 requests, including, gathering, reviewing and analyzing documents to be produced, and
- 12 corresponding with the Committee in connection with same;
- 13 • Reviewed and analyzed valuation issues and related documents, including analysis of
- 14 budget information and related documents and methodologies;
- 15 • Met with the Committee and its representatives to discuss issues regarding valuation
- 16 and cash flow models;
- 17 • Reviewed and analyzed issues relating to the Committee's motion to prohibit Gianulias
- 18 from living a "lavish lifestyle" and address Committee relative to same;
- 19 • Participated in various telephone calls and meetings with counsel for the Committee
- 20 regarding case negotiations, including discussions concerning valuation and
- 21 discussions regarding the "lavish lifestyle" motion, and responded to Committee's
- 22 inquiries re same;
- 23 • Reviewed and analyzed documents in preparation for lender review;
- 24 • Performed legal and factual research with respect to creditor Key Bank's demand for
- 25 additional collateral;
- 26 • Reviewed and analyzed financial documents, cash flow documents, budget issues and
- 27 projections and related issues (including related penalties and solutions);
- 28

- Analyzed potential settlement parameters and review and analyze issues relating to potential settlement structures;
- Reviewed monthly operating reports, including monthly operating reports for Mesa and G Companies, and coordinate submission and service of same on parties;
- Participated in various telephone calls and lengthy meetings with the Debtors and various team members regarding operational and planning issues; and
- Reviewed and analyzed documents relating to loan agreement on behalf of partnership, including drafting of motion to authorize Gianulias to execute documents on behalf of partnership to allow partnership to obtain a loan.

(0400) Case Administration. Applicant spent 75.20 hours and charged a total of \$32,641.50 in professional fees in this category of service. The blended hourly rate for services performed in this category was approximately \$434 per hour.

<u>Attorney/Paralegal</u>	<u>Hourly Rate</u>	<u>Total Hours</u>	<u>Total Fees Due</u>
William N. Lobel	\$850.00	2.60	\$2,210.00
Elliot Freier	\$785.00	.30	\$235.50
Alan J. Friedman	\$820.00	13.40	\$10,988.00
Alan J. Friedman	\$775.00	6.80	\$5,270.00
Kerri A. Lyman	\$590.00	2.10	\$1,239.00
Kerri A. Lyman	\$535.00	3.10	\$1,658.50
Issa K. Moe	\$420.00	1.00	\$420.00
Issa K. Moe	\$325.00	.80	\$260.00
Christopher D. Vieira	\$295.00	2.70	\$796.50
Lori S. Gauthier	\$230.00	33.00	\$7,590.00
Lori S. Gauthier	\$210.00	9.40	\$1,974.00
TOTAL		75.20	\$32,641.50

The services in this category relate to Applicant's assistance with respect to several

1 operational aspects of the administration of this case. Examples of matters Applicant handled in
2 this category include addressing issues relating to substantive consolidation of the cases,
3 assistance with several document requests and requests for information and monitoring U.S.
4 Trustee compliance. During the Application Period, Applicant performed the following services
5 with respect to this category:

- 6 • Reviewed and analyzed documents and issues regarding substantive consolidation, the
7 Committee's objection to same, and the impact of the same on the Chapter 11 Cases;
- 8 • Prepared for and attended hearing on the motion to approve substantive consolidation,
9 which was granted;
- 10 • Reviewed and analyzed Court's order to show cause why inter-company debts should
11 not be consolidated, researched and addressed issues regarding consolidated estates and
12 going forward operations, and prepared a response to the Court's order to show cause;
- 13 • Prepared for and participated in a telephonic hearing on the Court's order to show
14 cause regarding the stipulated order substantively consolidating the Debtors;
- 15 • Assisted the Debtors in the preparation of U.S. Trustee compliance documents;
- 16 • Reviewed the Debtors' monthly operating reports and forwarded same to U.S. Trustee
17 and other parties;
- 18 • Assisted in the preparation and filing of amended schedules;
- 19 • Maintained the master mailing and special notice lists, including updating upon
20 consolidation of the Debtors' cases;
- 21 • Addressed various issues arising out of the Committee's further document requests and
22 related issues, including issues concerning the turnover of tax returns;
- 23 • Prepared case status report (per Court's request);
- 24 • Responded to various creditor queries;
- 25 • Monitored case, including periodic Pacer searches and review of Court docket;
- 26 • Coordinated and assisted in arranging for telephonic appearances on behalf of Debtors'
27 representative; and
- 28 • Researched issues relating to applicability of "stay" to specific actions.

(0500) Claims Administration and Objections. Applicant spent 28.30 hours and charged a total of \$18,171.50 in professional fees in this category of service. The blended hourly rate for services performed in this category was approximately \$642 per hour.

<u>Attorney/Paralegal</u>	<u>Hourly Rate</u>	<u>Total Hours</u>	<u>Total Fees Due</u>
William N. Lobel	\$850.00	1.00	\$850.00
Alan J. Friedman	\$820.00	14.10	\$11,562.00
Alan J. Friedman	\$775.00	2.40	\$1,860.00
Kerri A. Lyman	\$590.00	3.10	\$1,829.00
Kerri A. Lyman	\$535.00	.20	\$107.00
Issa K. Moe	\$325.00	2.70	\$877.50
Lori S. Gauthier	\$230.00	3.90	\$897.00
Lori S. Gauthier	\$210.00	.90	\$189.00
TOTAL		28.30	\$18,171.50

In this category of service, Applicant addressed various issues concerning proofs of claim and the treatment of such claims. Specifically, during the Application Period, Applicant performed the following services with respect to this category:

- Reviewed and analyzed various filed claims and related issues and address issues regarding claims analysis and potential claim objections;
- Reviewed information requests from Committee and related documents;
- Updated the claims analysis chart and reviewed documents in connection with possible claim objections, including review of late filed claims;
- Legal and factual analysis with respect to certain claims;
- Factual and legal research concerning whether Gianulias' ex-wife is an insider;
- Addressed issues related to PBGC obligations; and

- Reviewed and analyzed Deutsche Bank's motion to allow late filed claim and legal issues relating to the same; including reviewing the Committee's objection to the motion and Deutsche Bank's reply to the Committee's objection.

(0600) Employee Benefits/Pension. Applicant spent 3.60 hours and charged a total of \$1,262.00 in professional fees in this category of service. The blended hourly rate for services performed in this category was approximately \$350 per hour.

<u>Attorney/Paralegal</u>	<u>Hourly Rate</u>	<u>Total Hours</u>	<u>Total Fees Due</u>
William N. Lobel	\$850.00	.70	\$595.00
Lori S. Gauthier	\$230.00	2.90	\$667.00
TOTAL		3.60	\$1,262.00

Services in this category relate primarily to addressing the Committee's motion to limit Gianulias' use of estate assets and dealing with document requests. During the Application Period, Applicant performed the following services with respect to this category:

- Reviewed and analyzed stipulation and related documents in preparation for hearing on the Committee's "lavish lifestyle" motion, and attended hearing on the same; and
- Reviewed and analyzed issues concerning Mesa and G Companies, and the Committee's request for information relating to the same.

(0700) Fee/Employment Applications. Applicant spent 70.30 hours and charged a total of \$31,196.00 in professional fees in this category of service. The blended hourly rate for services performed in this category was approximately \$443 per hour.

<u>Attorney/Paralegal</u>	<u>Hourly Rate</u>	<u>Total Hours</u>	<u>Total Fees Due</u>
William N. Lobel	\$850.00	2.40	\$2,040.00
Alan J. Friedman	\$820.00	12.50	\$10,250.00
Alan J. Friedman	\$775.00	2.60	\$2,015.00
Kerri A. Lyman	\$590.00	3.60	\$2,124.00

Issa K. Moe	\$420.00	18.30	\$7,686.00
Lori S. Gauthier	\$230.00	29.60	\$6,808.00
Lori S. Gauthier	\$210.00	1.30	\$273.00
TOTAL		70.30	\$31,196.00

In connection with this category of service, Applicant provided the following services:

- Reviewed and revised monthly invoices for Applicant, as well as the Debtors' other professionals;
- Prepared monthly Professional Fee Statements for November 2008 through April 2009 for Applicant and the Debtors' other professionals;
- Analyzed professional fee issues and documents, including negotiating agreement with professionals resulting in 25% holdback of professional fees;
- Prepared for and attended hearing on this Court's order to show cause regarding professional fees on behalf of Applicant and the Debtors' other professionals;
- Continued preparation and finalizing of first interim fee application and supporting documents;
- Prepared for and attended hearing on first interim fee application regarding professional fees on behalf of Applicant and the Debtors' other professionals;
- Reviewed issues relating to modification of employment and preparation of application to amend employment order to reflect Mr. Lobel's retirement;
- Coordinated scheduling of hearing on second interim fee application; and
- Commenced drafting of this second interim fee application.

(0800) Fee/Employment Objections. Applicant spent 10.80 hours and charged a total of \$7,181.00 in professional fees in this category of service. The blended hourly rate for services performed in this category was approximately \$664 per hour.

<u>Attorney/Paralegal</u>	<u>Hourly Rate</u>	<u>Total Hours</u>	<u>Total Fees Due</u>
Alan J. Friedman	\$820.00	6.80	\$5,576.00

Kerri A. Lyman	\$590.00	.90	\$531.00
Issa K. Moe	\$420.00	1.90	\$798.00
Lori S. Gauthier	\$230.00	1.20	\$276.00
TOTAL		10.80	\$7,181.00

Applicant's services with respect to this category included addressing issues and potential objections relating to employment and fee applications of various professionals. In particular, the during the Application Period, Applicant performed the following services with respect to this category:

- Reviewed and analyzed fee applications of various professionals;
- Reviewed documents and addressed issues regarding potential objections to employment and fees of various professionals;
- Analyzed issues in connection with Court's order to show cause regarding payment of professional fees;
- Prepared reservation of rights with respect to objections of fee applications; and
- Reviewed Professional Fee Statements of other professionals and analysis of pending Fee Statements.

(1000) Litigation. Applicant spent 55.90 hours and charged a total of \$29,728.00 in professional fees in this category of service. The blended hourly rate for services performed in this category was approximately \$531 per hour.

<u>Attorney/Paralegal</u>	<u>Hourly Rate</u>	<u>Total Hours</u>	<u>Total Fees Due</u>
Alan J. Friedman	\$820.00	8.80	\$7,216.00
Evan C. Borges	\$680.00	2.80	\$1,904.00
Kerri A. Lyman	\$590.00	8.80	\$5,192.00
Shelley D. Cordova	\$540.00	9.60	\$5,184.00
Issa K. Moe	\$420.00	22.50	\$9,450.00
Lori S. Gauthier	\$230.00	3.40	\$782.00

TOTAL		55.90	\$29,728.00
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These Chapter 11 Cases began as involuntary proceedings. Prior to commencing the Chapter 11 Cases, however, several of the Debtors' lenders filed state court complaints in early 2008 against the Debtors and various entities the Debtors own, or own in part. The state court complaints alleged breaches of several notes and/or guarantees. Although, by virtue of the automatic stay, the state court plaintiffs were unable to proceed against the Debtors once the bankruptcy proceedings commenced, the state court cases have continued as to the non-debtor entities that the Debtors have ownership interests in. As a result, Applicant has been required to expend time and resources toward analyzing the impact that continuation of the state court actions against the non-debtor entities would have on the Debtors and their estates. In addition, Applicant has been required to make appearances at certain state court hearings in order to provide updates on the bankruptcy proceedings.

During the Application Period, Applicant performed the following services with respect to this category:

- Reviewed and analyzed various state court actions against the Debtors and their non-debtor affiliates, including addressing issues relating to entry of default judgments and automatic stay issues;
- Participated in conferences with the Debtors and other professionals relating to state court actions, pending litigation, entry of judgments, and the impact of the same on business operations;
- Participated in conferences with opposing counsel regarding potential resolution of various proceedings;
- Prepared for and attended mandatory state court hearings, case management conferences, and hearings relating to why state court case should not be dismissed due to bankruptcy (including proceedings commenced by Housing Capital and Intervest);
- Prepared notices informing parties of the automatic stay;