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The following constitutes  
the order of the court. Signed September 29, 2006

*Marilyn Morgan*  
Marilyn Morgan  
U.S. Bankruptcy Judge

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA

In re:  
**KESTREL SOLUTIONS, INC.,**  
  
Debtor.

Case No. 02-55957-MM  
Chapter 11

**MEMORANDUM DECISION AND  
ORDER ON SECOND AND FINAL  
POST-EFFECTIVE DATE  
APPLICATION OF PACHULSKI  
STANG ZIEHL YOUNG JONES &  
WEINTRAUB LLP FOR FINAL  
APPROVAL OF COMPENSATION AND  
REIMBURSEMENT OF EXPENSES**

INTRODUCTION

Before the court is the second and final post-effective date application of Pachulski Stang Ziehl Young Jones & Weintraub LLP for compensation and reimbursement of expenses as counsel for the reorganized debtor, Kestrel Solutions, Inc. Pachulski requests approval of professional fees in the amount of \$192,909 and expense reimbursement of \$29,316.08. Having considered the application, the court approves on a final basis compensation in the amount of \$171,833.47 and expense reimbursement of \$29,316.08.

BACKGROUND

Kestrel Solutions, Inc. developed and marketed optical network equipment for high speed

1 telecommunications transmissions over fiberoptic cables. Its flagship product, the TalonMX, integrated  
2 intellectual property that was not considered marketable apart from the product. Kestrel was capitalized  
3 by several rounds of equity financing and a note offering. After several years of operating losses and  
4 failed efforts to pursue its merger and restructuring alternatives, it commenced this chapter 11 case on  
5 October 21, 2002 with over \$12 million in cash, no secured debt, and unsecured debt in excess of \$125  
6 million. Following the sale of substantially all of its assets, the debtor confirmed a liquidating chapter  
7 11 plan effective June 21, 2003. Following the effective date, it distributed \$11.3 million to creditors  
8 in an initial plan distribution. It obtained court approval of the sale of its remaining intellectual property  
9 in May 2005.

10 Prepetition, Kestrel extended non-cash loans that enabled its employees to exercise options in  
11 the debtor's common stock, which was subsequently cancelled under the plan. Ninety-two participating  
12 employees executed promissory notes in the face amount of approximately \$2.6 million payable to  
13 Kestrel. The debtor made demand on the notes both prior to and after the commencement of the  
14 bankruptcy case. The former employees responded with defenses to payment and affirmative claims  
15 based on securities law violations, fraud, and negligent misrepresentation. The fraud claims were based  
16 on assertions that the former employees were induced to execute the notes by misrepresentations  
17 concerning Kestrel's uniqueness and position in the market and the status of the development of its  
18 TalonMX product, and the claims of securities law violations related to alleged misrepresentations  
19 concerning the debtor's stock valuations and investors' margin opportunities. The debtor's efforts  
20 either to collect or to sell the notes were unsuccessful.

21 During this application period, Kestrel sought court approval of a compromise of its note  
22 enforcement claims and the former employees' counterclaims by a sale of the notes for \$35,000 to a  
23 subgroup consisting of thirty-six of the former employees. Because of deficiencies in the disclosures  
24 to support the compromise, the court denied the motion without prejudice at the initial hearing held in  
25 May 2005 and requested additional information. The court's inquiry focused on whether an analysis  
26 of the claims had been performed or a valuation conducted. It questioned the applicant concerning the  
27 collectability of the notes, the effect of confirmation, and the debtor's efforts to market and solicit  
28 representation to collect the notes.

1           Following the initial hearing on the debtor’s motion to compromise, and in order to address the  
2 court’s concerns, the applicant conducted further analysis of and an evaluation of information related  
3 to the notes and undertook more extensive efforts to market and to collect the notes. It contacted several  
4 liquidators to assess the interest in collecting the notes. None of the entities were unqualifiedly willing  
5 to acquire or to collect the notes. The debtor renewed the compromise and sale motion, which was  
6 heard in August 2005. It submitted that the notemakers were “rank and file” employees whose median  
7 and average salaries were approximately \$90,000 and that the confirmed plan did not specifically  
8 address the employee notes.

9           In connection with the disposition of the employee notes, the debtor also sought a determination  
10 that it was not liable for any tax liability arising from the sale of the notes. However, it failed to clearly  
11 articulate the relief it wanted and the legal basis by which it was entitled to the determination it  
12 requested. It variously requested a determination that the transaction did not constitute debt forgiveness  
13 and alternately a determination of non-liability for employment taxes. In the initial motion, Kestrel  
14 requested a determination that the sale did not constitute forgiveness of debt triggering any employment  
15 tax liability. In the renewed motion, it requested a determination that the sale did not constitute  
16 remuneration for services by an employee for his employer, resulting in any employment tax liability  
17 for the debtor. It also conceded that it had not fully investigated the range of potential employment tax  
18 liability that could be asserted. However, contrary to the debtor’s assertion that it had highlighted the  
19 issue for determination, the court found that the original motion and the renewed motion failed to satisfy  
20 due process requirements. In particular, the debtor failed to adequately notify the taxing authorities of  
21 its intention to seek a bankruptcy court determination of non-liability for employment taxes. At the  
22 hearing held August 1, 2005, the court ordered the debtor to notice a separate motion addressing solely  
23 the tax liability determination and direct the motion to the attention of the affected taxing agencies.

24           Upon the debtor’s compliance with the court’s directive, the Internal Revenue Service filed an  
25 objection to the motion for a determination of tax liability. In October 2005, the court requested  
26 supplemental briefing from the debtor and the IRS on several issues related to the court’s jurisdiction  
27 to make the determination and the effect on the administration of the estate. However, the debtor  
28 withdrew the motion at a continued hearing in December 2005 and ultimately sought the determination

1 from the appropriate taxing authorities. The applicant incurred nearly \$30,000 in legal fees and attended  
2 four hearings related to the debtor's tax determination motion. With the debtor's request for a tax  
3 determination resolved, the court approved the compromise motion at the December 2005 hearing.

4 After the court took the debtor's compromise motion off calendar at the initial hearing in May  
5 2005, the debtor commenced the prosecution of over sixty-five adversary proceedings to collect the  
6 employee notes. It voluntarily dismissed the adversary proceedings after the court approved the  
7 compromise.

8 The reorganized debtor has concluded its administration of the estate and is prepared to file its  
9 final tax returns, make final distributions, and seek the entry of a final decree. It currently holds \$1.3  
10 million remaining to be distributed. Pachulski, as counsel for the reorganized debtor, seeks final  
11 approval of compensation in the amount of \$192,909 and reimbursement of expenses in the amount of  
12 \$29,316.08 incurred during the post-effective date period from April 1, 2004 through June 30, 2006.

13 In the exercise of its billing discretion, Pachulski voluntarily reduced its fees and expenses by  
14 a total of \$37,949.06. The time entries that were written off remain in the billing records, a review of  
15 which reflects that the entries include time for clerical services, editing billing records, some attorney  
16 conferences, and lunch with the client. It also includes travel time and some associate time on three  
17 projects: the disposition of the employee notes, the tax determination, and pursuit of a note by a former  
18 officer, which pursuit was ultimately abandoned after the officer died. The expenses that were written  
19 off are ones that are not allowed under the Guidelines for Compensation and Expense Reimbursement  
20 of Professionals and Trustees for the United States Bankruptcy Court, Northern District of California  
21 ("Fee Guidelines").

22  
23 **LEGAL DISCUSSION**

24 Section 330 of the Bankruptcy Code provides that the court may award to a trustee, an examiner,  
25 or a professional person employed under §§ 327 or 1103 reasonable compensation for actual, necessary  
26 services rendered and reimbursement of actual, necessary expenses. In determining the amount of  
27 reasonable compensation, the court considers the nature, extent, and value of the professional's services,  
28 taking into account all relevant factors, including whether the services were necessary to the

1 administration of, or beneficial at the time at which the service was rendered toward the completion of,  
2 a case and whether the services were performed within a reasonable amount of time commensurate with  
3 the complexity, importance, and nature of the problem, issue, or task addressed. 11 U.S.C. § 330(a)(3).  
4 The applicant bears the burden of establishing entitlement to an award and demonstrating that the fees  
5 are reasonable. Hensley v. Eckerhart, 461 U.S. 424, 437 (1983).

6  
7 **A. Time Devoted to Disposition of the Employee Notes is Excessive**

8 When applying for fees, counsel has a duty to exercise good billing discretion. Hensley v.  
9 Eckerhart, 461 U.S. at 436. In determining a reasonable fee allowance, the court must consider whether  
10 the services were necessary or beneficial at the time they were rendered. Mednet, 251 B.R. at 108. It  
11 must also examine the circumstances and the manner in which the services are performed and the results  
12 achieved. Id. Hours that are excessive, redundant, or unnecessary in view of the services performed  
13 should not be compensated.

14 The applicant expended a total of 200.60 hours, incurring \$56,912.50 in legal fees in connection  
15 with services related to the disposition of the employee notes. The time entries for these services are  
16 set forth in Exhibit A attached hereto. When the debtor first sought court approval of its compromise  
17 with the former employees, the motion was deficient to allow the court to make an informed  
18 determination whether the compromise was fair and equitable. Specifically, the motion failed to address  
19 the extent of collection efforts to date, an analysis of the strengths and weaknesses of the parties'  
20 respective claims, a valuation of those claims, the effect of plan confirmation on the parties' claims, a  
21 cost estimate for collection of the notes, or a disclosure of the notemakers' ability to respond to  
22 judgments. The court declined to approve the compromise and requested additional information from  
23 the debtor. The debtor was required to renotice the motion and to supplement the record. The applicant  
24 failed to demonstrate skillful handling of the initial compromise motion, necessitating further hearings  
25 and additional investigation of the relevant circumstances. The fees attributable to the disposition of  
26 the employee notes are also excessive in light of the task accomplished. For these reasons, the  
27 applicant's request for fees related to these services is disallowed by twenty percent (20%), or  
28 \$11,382.50.

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**B. Time Expended to Prosecute the Adversary Proceedings Is Excessive**

In exercising good billing discretion, hours that are excessive, redundant or unnecessary should be excluded from fee applications. To determine whether the hours are excessive, the court considers whether the services were performed within a reasonable amount of time commensurate with the complexity importance, and nature of the problem, issue or task addressed. § 330(a)(3)(D).

The applicant expended 94.10 hours and incurred \$18,598.30 in legal fees associated with services to prosecute the adversary proceedings to collect the employee notes. The time entries for these services are set forth in Exhibit B attached hereto. The applicant merely filed the summonses and complaints. At the applicant’s request, the court reissued the summonses in the adversary proceedings and continued the case management conferences. The adversary proceedings were ultimately dismissed after the debtor obtained court approval of the compromise. No other services were rendered in connection with the adversary proceedings. The more than sixty-five adversary proceedings were identical, and the time records reflect that there were some inefficiencies in furnishing these services. The total fees incurred in prosecuting these adversary proceedings are excessive and are accordingly reduced by ten percent (10%), or \$1,859.83.

**C. Time Spent on Tax Determination Motion Is Excessive**

The applicant expended 98.7 hours and incurred \$28,013.50 in legal fees in connection with the request for a tax determination. The time entries for these services are set forth on Exhibit C attached hereto. Without having investigated the range of potential employment tax liability that could be asserted, the debtor sought a determination by the bankruptcy court that the sale of the employee notes would not give rise to any employment tax liability by the debtor. However, the request, which was initially subsumed in the compromise motion, was rather inartfully drafted. The debtor variously sought a determination that the transaction did not constitute debt forgiveness and that it did not constitute wages for employment tax purposes. The applicant also failed to brief the legal authority for the asserted non-liability. Moreover, the court found that the request failed to meet due process requirements and required that the debtor notice a separate motion directed to the attention of the

1 affected taxing authorities. The new motion elicited an objection by the Internal Revenue Service, to  
 2 which the debtor responded. Ultimately, Kestrel withdrew the motion for tax determination, opting to  
 3 obtain the determination directly from the taxing authorities. However, that decision was made only  
 4 after the applicant prepared three separate motions that were of limited benefit to the estate and attended  
 5 four hearings on the matter. The fees attributable to the tax determination motion are excessive and are  
 6 disallowed by twenty percent (20%), or \$5,602.70.

7  
 8 **D. Time Devoted to Clerical Services Is Not Compensable by the Estate**

9 Section 330 contemplates compensation only for professional services. Services that are clerical  
 10 in nature are properly chargeable to the firm as an overhead expense and not to the bankruptcy estate.  
 11 Fees for services that are purely clerical, ministerial, or administrative should be disallowed. Missouri  
 12 v. Jenkins, 491 U.S. 274, 288 fn.10 (1989); Sousa v. Miguel, 32 F.3d 1370, 1374 (9<sup>th</sup> Cir. 1994).  
 13 Paragraph 18 of the Fee Guidelines expressly provides that time spent performing administrative tasks  
 14 is not compensable.

15 Some of the services performed by the applicant, including copying, electronically filing  
 16 documents, preparing documents for filing and service, conducting PACER searches of the court’s  
 17 docket, preparing proofs of service, scheduling or calendaring, ordering court transcripts, and revisions  
 18 by a paralegal to documents drafted by attorneys, are clerical in nature. Similarly, oversight of or  
 19 supervising any of the foregoing activities is also considered clerical. The time entries for services that  
 20 are clerical in nature, which total \$1,949.50 and are set forth in the table below, are disallowed.

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| Date                     | Time-keeper | Description  | Hours | Amount |
|--------------------------|-------------|--|-------|--------|
| <b>Asset Disposition</b> |             |  |       |        |
| 04/08/05                 | PJJ         | Revise motion to sell Employee Notes.                            | 0.20  | 32.00  |
| 04/11/05                 | PJJ         | Prepare certificate of service of motion to sell Employee Notes. | 0.50  | 80.00  |
| 04/14/05                 | PJJ         | Prepare certificate of service re Employee Note Sale.            | 0.10  | 16.00  |

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|    |          |     |   |              |                 |
|----|----------|-----|---|--------------|-----------------|
| 1  | 04/15/05 | PJJ | Prepare Employee Notes sale motion for service and filing; efile same.                  | 1.10         | 176.00          |
| 2  | 04/15/05 | PJJ | Review pleadings with R. Naguiat; revise certificate of service re Employee Note sale.  | 0.50         | 80.00           |
| 3  | 04/18/05 | PJJ | Prepare Chambers' copies of Employee Notes Sale documents; calendar hearing dates.      | 0.30         | 48.00           |
| 4  |          |     | <b>Subtotal</b>   | <b>2.70</b>  | <b>432.00</b>   |
| 5  |          |     | <b>Bankruptcy Litigation</b>  |              |                 |
| 6  | 07/28/05 | PJJ | Prepare adversaries for efilng (.5); efile same (2.3).                                  | 2.80         | 448.00          |
| 7  | 08/01/05 | PJJ | Order transcript of proceedings.  | 0.20         | 32.00           |
| 8  | 08/04/05 | PJJ | Calendar adversary deadlines  | 0.70         | 112.00          |
| 9  | 11/23/05 | RMN | Coordinate filing and service of status report re employee notes motions.               | 0.10         | 26.50           |
| 10 | 12/2     | PJJ | Efile execution of service of Alias Summons.  | 0.20         | 32.00           |
| 11 | 01/05/06 | PJJ | Research docket re dates for stipulation to dismiss adversary.                          | 0.40         | 70.00           |
| 12 | 01/19/06 | PJJ | Prepare voluntary dismissals for service and filing (1.2); efile same (2.5).            | 3.70         | 647.50          |
| 13 | 01/19/06 | RMN | Coordinate filing and service of dismissals of adversary proceedings on employee notes. | 0.20         | 59.00           |
| 14 |          |     | <b>Subtotal</b>   | <b>8.30</b>  | <b>1,427.00</b> |
| 15 |          |     | <b>Litigation (Non-Bankruptcy)</b>  |              |                 |
| 16 | 05/06/05 | PJJ | Telephone call with Court regarding transcript of Employee Note Sale hearing.           | 0.20         | 32.00           |
| 17 | 10/04/05 | RMN | Confer with M. McGowan re scheduling.   | 0.10         | 26.50           |
| 18 | 10/14/05 | PJJ | Order hearing transcript on Employee Note Sale.   | 0.20         | 32.00           |
| 19 |          |     | <b>Subtotal</b>   | <b>0.50</b>  | <b>90.50</b>    |
| 20 |          |     | <b>TOTAL</b>  | <b>11.50</b> | <b>1,949.50</b> |

**E. Time Expended Editing Time Records Is Not Compensable**

While time expended to prepare a fee application, including drafting the narrative, is compensable, time expended to review and edit time entries is not. Where the time entries require

1 revision to conform to the court's standards, the editing services are administrative functions that are  
 2 not compensable even if they are performed by a professional. In Re CF & I Fabricators of Utah, Inc.,  
 3 131 B.R. 474, 485 (D. Utah 1991). The applicant incurred \$281 in fees to review and edit its time  
 4 records. The time entries are set forth in the table below and are disallowed.

| Date                                 | Time-keeper | Description   | Hours       | Amount        |
|--------------------------------------|-------------|---|-------------|---------------|
| <b>Compensation of Professionals</b> |             |   |             |               |
| 04/19/04                             | PJJ         | Research March billing issues in preparation of fee application.                        | 0.60        | 96.00         |
| 04/23/04                             | JMF         | Review accounting records regarding accrual and payment of fees (.3).                   | 0.30        | 109.50        |
| 04/23/04                             | JMF         | Review/respond to emails regarding accrual and payment of fees.                         | 0.10        | 36.50         |
| 04/26/04                             | JMF         | Review accounting regarding write-off of fees and expenses.                             | 0.10        | 36.50         |
| <b>Subtotal</b>                      |             |   | <b>1.10</b> | <b>278.50</b> |
| <b>Fee/Employment Application</b>    |             |   |             |               |
| 04/24/06                             | PJJ         | Review/revise Feb and March billing statements in preparation of final fee application. | 0.30        | 2.50          |
| <b>Subtotal</b>                      |             |   | <b>0.30</b> | <b>2.50</b>   |
| <b>TOTAL</b>                         |             |   | <b>1.40</b> | <b>281.00</b> |

**CONCLUSION**

21 For the reasons set forth above, the court denies approval of fees in the amount of \$21,075.53  
 22 and allows final compensation in the amount of \$171,833.47 and expense reimbursement in the amount  
 23 of \$29,316.08.

24 Good cause appearing, IT IS SO ORDERED.

\*\*\* END OF ORDER \*\*\*

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Case No. 02-55957-MM

**SERVICE LIST**

JOSHUA M FRIED  
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PALO ALTO CA 94306

EXHIBIT A

| Date     | Time-keeper | Description   | Hours       | Amount          |
|----------|-------------|---|-------------|-----------------|
|          |             | <b>Asset Analysis/Recovery</b>  |             |                 |
| 10/08/04 | TSK         | Calls, meeting with Rocky Ho regarding collection of outstanding notes.   | 0.40        | 180.00          |
| 11/02/04 | TSK         | [F]inal letter to R. Swanson and response (.1) regarding Employee notes.  | 0.10        | 45.00           |
| 11/07/04 | TSK         | Emails with R. Swanson regarding employee notes.  | 0.10        | 45.00           |
| 11/22/04 | TSK         | Emails with R. Ho, R. Swanson regarding employee notes.   | 0.20        | 90.00           |
| 11/23/04 | TSK         | Call with R. Swanson regarding employee notes.  | 0.20        | 90.00           |
| 11/29/04 | TSK         | Call with R. Swanson regarding Employee notes.  | 0.30        | 135.00          |
| 12/08/04 | TSK         | Call from R. Swanson regarding employee notes (.1); emails with R. Ho and R. Swanson regarding same (.1).         | 0.20        | 90.00           |
| 12/23/04 | TSK         | Review letter re employee notes and call/emails to R. Ho re same.   | 0.30        | 135.00          |
| 01/06/05 | TSK         | Call with Ho (.2), Costello (.2), and Swanson (.1) re employee notes.   | 0.50        | 225.00          |
| 02/01/05 | TSK         | Call Rocky Ho re employee notes and Rowan (.2); letter R. Swanson re same (.1); call to P. Costello re same (.2). | 0.30        | 135.00          |
| 02/02/05 | RMN         | Confer with TSK re sale of employee notes and issues re Rowan note, and begin reviewing related documents.        | 0.20        | 53.00           |
|          |             | <b>Subtotal</b>   | <b>2.80</b> | <b>1,223.00</b> |
|          |             | <b>Asset Disposition</b>  |             |                 |
| 08/16/04 | TSK         | Call with R. Ho regarding sale of employee notes.   | 0.10        | 45.00           |
| 09/29/04 | JMF         | Review analysis regarding employee notes.   | 0.10        | 36.50           |
| 11/01/04 | TSK         | Draft letter to R. Swanson regarding sale of employee notes (.3); emails to/from R. Ho regarding same (.1).       | 0.40        | 180.00          |
| 04/01/05 | TSK         | Review and forward materials to R. Naguiat re sale/prosecution of employee accounts.                              | 0.40        | 180.00          |

**UNITED STATES BANKRUPTCY COURT  
For The Northern District Of California**

|    |          |     |  |              |                 |
|----|----------|-----|--|--------------|-----------------|
| 1  | 04/06/05 | JMF | Review/revise employee note compromise motion.   | 1.00         | 365.00          |
| 2  | 04/07/05 | RMN | Revisions to note sale pleadings based on JMF's comments.  | 1.60         | 424.00          |
| 3  | 04/08/05 | RMN | Correspond with R. Ho and F. Iking re employee notes.  | 0.10         | 26.50           |
| 4  |          |     |  |              |                 |
| 5  | 05/05/05 | TSK | Confer with R. Naguiat re hearing re sale of EE notes.   | 0.20         | 90.00           |
| 6  | 06/02/05 | TSK | Call with P. Costello re employee notes (.2); confer with J. Fried re same (.1).   | 0.30         | 135.00          |
| 7  |          |     |  |              |                 |
| 8  | 06/02/05 | JMF | Office conference with R. Naguiat re PWC and employee note issues.   | 0.20         | 73.00           |
| 9  | 06/02/05 | JMF | Telephone conference with Costello and Keller re employee note issue.  | 0.30         | 109.50          |
| 10 | 06/27/05 | TSK | Confer with J. Fried re employee notes (.1); email to R. Naguiat re update on same (.2).   | 0.30         | 135.00          |
| 11 |          |     |  |              |                 |
| 12 | 06/27/05 | JMF | Office conference with T. Keller re employee notes.  | 0.10         | 36.50           |
| 13 | 06/28/05 | PJJ | Review and revise employee salary analysis re employee note sale.  | 0.20         | 32.00           |
| 14 |          |     |  |              |                 |
| 15 | 06/29/05 | PJJ | Revise salary analysis re employee note sale.  | 0.20         | 32.00           |
| 16 | 07/07/05 | PJJ | Review employee notes.   | 0.20         | 32.00           |
| 17 | 07/21/05 | TSK | Emails with P. Costello re employee note collection issues (.2); confer with R. Naguiat and review work re abandonment of EE notes (.3). | 0.50         | 225.00          |
| 18 | 07/25/05 | JMF | Review committee response to Note Compromise and office conference with R, Naguiat and T. Keller re same.                                | 0.30         | 109.50          |
| 19 |          |     |  |              |                 |
| 20 | 07/29/05 | TSK | Prepare for (.2) and call with (.4) all hands re sale of employee notes.   | 0.60         | 270.00          |
| 21 | 08/01/05 | TSK | Prepare for (.8) and attend (3.4) hearing re sale of employee notes.   | 4.20         | 1,890.00        |
| 22 | 08/02/05 | TSK | Call with R. Swanson re request for declaration on employee note issues.   | 0.30         | 135.00          |
| 23 | 08/11/05 | TSK | Confer with R. Naguiat (.1); calls to R. Ho and P. Costello re status of motion to sell notes (.2).                                      | 0.30         | 135.00          |
| 24 |          |     |  |              |                 |
| 25 | 12/02/05 | JMF | Review Sale Order.   | 0.40         | 146.00          |
| 26 | 12/07/05 | PJJ | Revise and upload employee note sale order.  | 0.30         | 48.00           |
| 27 |          |     | <b>Subtotal</b>  | <b>12.60</b> | <b>4,890.50</b> |
| 28 |          |     | <b>Bankruptcy Litigation</b>   |              |                 |

**UNITED STATES BANKRUPTCY COURT  
For The Northern District Of California**

|    |          |     |  |      |        |
|----|----------|-----|--|------|--------|
| 1  | 10/28/04 | TSK | Call with R. Swanson (.3); email R. Ho regarding collection of employee notes.   | 0.40 | 180.00 |
| 2  | 11/23/04 | JMF | Review emails regarding settlement of employee note obligations.   | 0.20 | 73.00  |
| 3  | 02/07/05 | JMF | Office conference with T. Keller re employee note litigation.  | 0.10 | 36.50  |
| 4  | 07/06/05 | TSK | Review R. Naguiat memoranda re employee notes (.4); meet with K. Brown (.2) and R. Naguiat (.2) re same.   | 0.80 | 360.00 |
| 5  | 07/06/05 | JMF | Review note holder position re compromise and email re Naguiat and Keller re same.   | 0.30 | 109.50 |
| 6  | 07/07/05 | TSK | Confer with R. Naguiat re employee note collection motion.   | 0.20 | 90.00  |
| 7  | 07/08/05 | TSK | Confer with R. Naguiat re employee note issues (.3); call with R. Ho re same (.1).   | 0.40 | 180.00 |
| 8  | 07/11/05 | TSK | Review and mark up draft renewed motion re sale of employee notes (.8); confer with J. Fried, R. Naguiat re same (.3); call with P. Costello re same (.2). | 1.30 | 585.00 |
| 9  | 07/11/05 | JMF | Review mark up of employee notes 9019 motion (.3); Call with TSK (.2) and RMN (.2) re same.  | 1.00 | 365.00 |
| 10 | 07/11/05 | JMF | Review Buyer's Statement of Position re 9019 motion.   | 0.30 | 109.50 |
| 11 | 07/11/05 | JMF | Telephone conference with R. Naguiat re employee note compromise.  | 0.30 | 109.50 |
| 12 | 07/12/05 | TSK | Review employee note papers and confer with J. Fried, R. Naguiat re same.  | 0.90 | 405.00 |
| 13 | 08/10/05 | JMF | Review hearing transcript and follow up re employee notes settlement hearing.  | 0.50 | 182.50 |
| 14 | 08/15/05 | JMF | Office conferences with T. Keller re 9019 note issues and October hearing.   | 0.20 | 73.00  |
| 15 | 08/16/05 | JMF | Review case law re compromise of controversy standards.  | 0.40 | 146.00 |
| 16 | 08/23/05 | JMF | Research re compromise of controversy re employee notes.   | 0.60 | 219.00 |
| 17 | 08/25/05 | JMF | Office conferences with R. Naguiat re brief.   | 0.30 | 109.50 |
| 18 | 09/02/05 | RMN | Correspond with R. Swanson re declaration of Buyer.  | 0.10 | 26.50  |
| 19 | 09/06/05 | RMN | Coordinate with HTP re list of Employee Notes.   | 0.30 | 79.50  |
| 20 | 09/07/05 | RMN | Confer with R. Swanson re declaration of Buyer re asserted defenses.   | 0.10 | 26.50  |

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| 09/07/05 | RMN | Confer with P. Larson re collection letters on Employee Notes.        | 0.10 | 26.50    |
| 09/07/05 | RMN | Correspondence with JMF re lists of Employee Notes.                   | 0.10 | 26.50    |
| 09/08/05 | RMN | Confer with R. Swanson re Buyer's declaration.                        | 0.20 | 53.00    |
| 09/09/05 | RMN | Brief review of Buyer's declaration and call from R. Swanson re same. | 0.10 | 26.50    |
| 09/12/05 | RMN | Review Buyer's declaration and confer with R. Swanson re same.        | 0.20 | 53.00    |
| 09/13/05 | RMN | Confer with R. Ho re declaration of Buyer.                            | 0.10 | 26.50    |
| 09/13/05 | RMN | Review joinder of Buyers and declaration filed by R. Swanson.         | 0.10 | 26.50    |
| 09/14/05 | RMN | Continue review of Buyer's joinder and declaration.                   | 0.10 | 26.50    |
| 11/01/05 | JMF | Revise letter to Costello re abandonment of notes.                    | 1.10 | 401.50   |
| 11/01/05 | JMF | Telephone conference with Costello re abandonment of notes.           | 0.20 | 73.00    |
| 11/01/05 | RMN | Confer with R. Swanson re employee notes issues.                      | 0.10 | 26.50    |
| 11/03/05 | PJJ | Prepare employee notes service list.                                  | 0.50 | 80.00    |
| 11/03/05 | RMN | Confer with R. Ho re transcript of hearing on employee notes motion.  | 0.10 | 26.50    |
| 11/09/05 | JMF | Office conferences with R. Naguiat re employee notes.                 | 0.20 | 73.00    |
| 11/10/05 | JMF | Office conferences with R. Naguiat re sale motion.                    | 0.20 | 73.00    |
| 11/10/05 | JMF | Review/follow up re procedures to move forward on sale motion.        | 0.30 | 109.50   |
| 11/14/05 | RMN | Confer with R. Swanson re misc. issues re employee notes.             | 0.10 | 26.50    |
| 11/17/05 | JMF | Follow up re service of complaint and summary (sic) and sale motion.  | 0.20 | 73.00    |
| 11/22/05 | JMF | Draft status report re sale motion.                                   | 1.20 | 438.00   |
| 11/22/05 | RMN | Review status report re employee notes sale motion.                   | 0.10 | 26.50    |
| 12/01/05 | PJJ | Prepare exhibit to employee note sale order.                          | 0.50 | 80.00    |
| 12/01/05 | JMF | Prepare, travel to and attend hearing re sale of Notes.               | 3.80 | 1,387.00 |

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|----|----------|-----|--|------|--------|
| 1  | 12/01/05 | RMN | Prepare sale order, bill of sale, and related exhibits; and review related documents/correspondence.     | 2.10 | 556.00 |
| 2  |          |     |  |      |        |
| 3  | 12/01/05 | RMN | Correspond with JMF re employee notes sale order.  | 0.10 | 26.50  |
| 4  |          |     |  |      |        |
| 5  | 12/05/05 | RMN | Confer with A. Choi re employee notes list.  | 0.10 | 26.50  |
| 6  | 12/05/05 | RMN | Correspond with FTI and R. Swanson re employee notes issues.   | 0.20 | 53.00  |
| 7  | 12/06/05 | JMF | Follow up re sale of notes and closing of transactions.  | 0.30 | 109.50 |
| 8  | 12/06/05 | RMN | Correspond and confer with R. Swanson, and team, re form of sale order.                                  | 0.20 | 53.00  |
| 9  |          |     |  |      |        |
| 10 | 12/07/05 | JMF | Review Sale Order.   | 0.20 | 73.00  |
| 11 | 12/07/05 | RMN | Revisions to proposed form of order based on R. Swanson's comments, and correspond with parties re same. | 1.00 | 265.00 |
| 12 | 12/07/05 | RMN | Misc. correspondence and calls with R. Swanson and his office re pool of buyers and related issues.      | 0.30 | 79.50  |
| 13 |          |     |  |      |        |
| 14 | 12/07/05 | RMN | Confer with R. Swanson re employee notes sale issues.  | 0.20 | 53.00  |
| 15 | 12/07/05 | RMN | Follow up with P. Costello and R. Swanson re proposed form of employee notes sale order.                 | 0.10 | 26.50  |
| 16 | 12/07/05 | RMN | Confer with A. Choi re employee notes.   | 0.10 | 26.50  |
| 17 | 12/07/05 | RMN | Coordinate submission of proposed order approving employee notes sale.                                   | 0.10 | 26.50  |
| 18 |          |     |  |      |        |
| 19 | 12/13/05 | JMF | Review Sale Order and follow up with Naguiat re same.  | 0.20 | 73.00  |
| 20 | 12/13/05 | RMN | Review and confer with JMF re employee notes issues and performance under bill of sale.                  | 0.30 | 79.50  |
| 21 | 12/19/05 | RMN | Coordinate consummation of employee notes sale and correspond with R. Swanson re same.                   | 0.20 | 53.00  |
| 22 |          |     |  |      |        |
| 23 | 12/20/05 | RMN | Correspond with R. Ho and Ralph re payment due under bill of sale and related issues.                    | 0.20 | 53.00  |
| 24 | 12/21/05 | RMN | Confer with R. Ho re employee notes.   | 0.10 | 26.50  |
| 25 | 12/21/05 | RMN | Confer with L. Mazur re employee note.   | 0.10 | 26.50  |
| 26 | 12/21/05 | RMN | Confer with R. Swanson re employee notes and related adversary proceedings.                              | 0.20 | 53.00  |
| 27 | 01/09/06 | RMN | Confer with L. Meja re employee note.  | 0.10 | 29.50  |
| 28 | 02/01/06 | RMN | Confer with R. Swanson re employee notes issues.   | 0.10 | 29.50  |

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|----------|-----|--|--------------|-----------------|
| 02/01/06 | RMN | Confer with R. Ho re employee notes and stock pledge agreements.   | 0.10         | 29.50           |
| 02/07/06 | PJJ | Discuss turnover of employee notes to R. Swanson with R. Naguiat.  | 0.10         | 17.50           |
| 02/07/06 | RMN | Coordinate with PJJ re employee notes to transfer to Buyers.   | 0.20         | 59.00           |
| 02/15/06 | PJJ | Prepare employee notes for R. Swanson.   | 1.50         | 262.50          |
| 02/16/06 | RMN | Correspondence with R. Swanson re employee notes.  | 0.10         | 29.50           |
|          |     | <b>Subtotal</b>  | <b>26.80</b> | <b>8,820.50</b> |
|          |     | <b>Case Administration</b>   |              |                 |
| 06/01/05 | RMN | Confer with D. Hardy from DOD re request for employee file.  | 0.10         | 26.50           |
| 06/02/05 | RMN | Correspond with P. Larson re access to employee files.   | 0.10         | 26.50           |
| 06/15/05 | RMN | Confer with R. Harding from Dept. Of Defense re access to employee files.                                  | 0.10         | 26.50           |
| 07/12/05 | JMF | Review/Revise employee sale pleading.  | 1.80         | 657.00          |
|          |     | <b>Subtotal</b>  | <b>2.10</b>  | <b>736.50</b>   |
|          |     | <b>Litigation (Non-Bankruptcy)</b>   |              |                 |
| 02/02/05 | RMN | Review misc. correspondence re employee stock purchase loans.  | 0.20         | 53.00           |
| 02/02/05 | RMN | Confer with TSK re sale of employee notes and issues re Rowan note, and begin reviewing related documents. | 0.20         | 53.00           |
| 02/07/05 | RMN | Review correspondence from TSK to Ralph Swanson re notes.  | 0.10         | 26.50           |
| 02/22/05 | RMN | Confer with R. Swanson regarding sale of notes.  | 0.10         | 26.50           |
| 03/28/05 | RMN | Calls to R. Swanson re note sale.  | 0.10         | 26.50           |
| 03/28/05 | RMN | Continue preparing note sale pleadings and reviewing related documents and issues.                         | 1.80         | 477.00          |
| 03/29/05 | RMN | Continue preparing note sale pleadings and reviewing related documents and issues.                         | 1.10         | 291.50          |
| 03/31/05 | RMN | Confer with TSK re collection efforts and background info re note sale.                                    | 0.10         | 26.50           |
| 03/31/05 | RMN | Continue preparing note sale pleadings and reviewing related documents.                                    | 2.00         | 530.00          |

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|----|----------|-----|--|------|----------|
| 1  | 04/04/05 | RMN | Continue preparing pleadings re employee notes, and review related correspondence from obligors' counsel and related documents.                    | 3.30 | 874.50   |
| 2  |          |     |  |      |          |
| 3  | 04/05/05 | RMN | Revisions to employee note pleadings and exhibits thereto, and review related documents.   | 6.40 | 1,696.00 |
| 4  |          |     |  |      |          |
| 5  | 04/08/05 | RMN | Preparing pleadings re employee note sale and compromise of controversy.   | 2.20 | 583.00   |
| 6  | 04/12/05 | RMN | Confer with TSK re compromise of controversy pleadings.  | 0.10 | 26.50    |
| 7  | 04/13/05 | RMN | Revisions to compromise of controversy pleadings re employee notes.  | 0.50 | 132.50   |
| 8  |          |     |  |      |          |
| 9  | 04/14/05 | RMN | Continue preparing compromise of controversy pleadings re employee notes.  | 5.50 | 1,457.50 |
| 10 | 04/15/05 | RMN | Finalize compromise of controversy pleadings re employee notes, conferences and correspondence re same, and coordinate filing and service of same. | 2.00 | 530.00   |
| 11 |          |     |  |      |          |
| 12 | 04/15/05 | RMN | Confer with R. Swanson's office re compromise pleadings.   | 0.10 | 26.50    |
| 13 | 04/18/05 | RMN | Confer with R. Swanson re compromise motion re employee notes.   | 0.20 | 53.00    |
| 14 |          |     |  |      |          |
| 15 | 04/29/05 | RMN | Correspondence with R. Swanson re compromise re employee notes.  | 0.10 | 26.50    |
| 16 | 05/03/05 | RMN | Draft order on employee note sale motion.  | 0.30 | 79.50    |
| 17 | 05/05/05 | RMN | Prepare for hearing on employee notes motion.  | 2.00 | 530.00   |
| 18 | 05/05/05 | RMN | Confer with R. Swanson re hearing on employee notes motion.  | 0.10 | 26.50    |
| 19 | 05/09/05 | JMF | Office conference with R. Naguiat and T. Keller re employee note 9019.   | 0.20 | 73.00    |
| 20 | 05/09/05 | RMN | Conferences with TSK and JMF re employee notes and related issues; notes re same.  | 0.30 | 79.50    |
| 21 |          |     |  |      |          |
| 22 | 05/09/05 | RMN | Review notes from hearing on employee notes, beginning preparing agenda for conference call re same, and review misc. related issues.              | 0.50 | 132.50   |
| 23 |          |     |  |      |          |
| 24 | 05/10/05 | RMN | Review HTP's transcription of hearing on employee notes motion, and circulate same to team to and buyer's counsel.                                 | 0.50 | 132.50   |
| 25 |          |     |  |      |          |
| 26 | 05/10/05 | RMN | Conferences with TSK and R. Swanson re employee notes issues.  | 0.40 | 106.00   |
| 27 | 05/10/05 | RMN | Correspond with team re conference call re employee notes.   | 0.20 | 53.00    |
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|----|----------|-----|---|------|----------|
| 1  | 05/11/05 | PJJ | Research claims database regarding Employee Claims with respect to Employee Note Sale.  | 0.40 | 64.00    |
| 2  | 05/11/05 | JMF | Office conference with Naguiat re employee settlement.  | 0.10 | 36.50    |
| 3  | 05/11/05 | RMN | Continue reviewing employee notes issues and preparing agenda for conference call re same; misc. conferences with team re same; correspond with team and buyer's counsel re conference call agenda. | 2.50 | 662.50   |
| 4  | 05/11/05 | RMN | Continue reviewing employee notes issues and preparing agenda for conference call re same; misc. conferences with team re same; correspond with team and buyer's counsel re conference call agenda. | 2.50 | 662.50   |
| 5  | 05/11/05 | RMN | Continue reviewing employee notes issues and preparing agenda for conference call re same; misc. conferences with team re same; correspond with team and buyer's counsel re conference call agenda. | 2.50 | 662.50   |
| 6  | 05/11/05 | RMN | Continue reviewing employee notes issues and preparing agenda for conference call re same; misc. conferences with team re same; correspond with team and buyer's counsel re conference call agenda. | 2.50 | 662.50   |
| 7  | 05/12/05 | TSK | Calls with R. Ho, R. Naguiat, P. Costello and R. Swanson re employee notes.   | 1.10 | 495.00   |
| 8  | 05/12/05 | RMN | Continue reviewing employee notes issues (particularly tax issues) and prepare for conference all re same.  | 1.80 | 477.00   |
| 9  | 05/12/05 | RMN | Continue reviewing employee notes issues (particularly tax issues) and prepare for conference all re same.  | 1.80 | 477.00   |
| 10 | 05/12/05 | RMN | Conference call with TSK, R. Ho, and R. Swanson re employee notes issues; notes re same.  | 1.70 | 450.00   |
| 11 | 05/12/05 | RMN | Conference call with TSK, R. Ho, and R. Swanson re employee notes issues; notes re same.  | 1.70 | 450.00   |
| 12 | 05/12/05 | RMN | Correspond with R. Swanson re Buyer's asserted defenses and related issues.   | 0.40 | 106.00   |
| 13 | 05/12/05 | RMN | Correspond with R. Swanson re Buyer's asserted defenses and related issues.   | 0.40 | 106.00   |
| 14 | 05/13/05 | RMN | Begin drafting responses to Judge Morgan's issues re employee notes.  | 0.50 | 132.50   |
| 15 | 05/13/05 | RMN | Begin drafting responses to Judge Morgan's issues re employee notes.  | 0.50 | 132.50   |
| 16 | 05/16/05 | RMN | Continue drafting responses to Judge Morgan's issues re employee notes and researching related tax issues.  | 3.40 | 901.00   |
| 17 | 05/16/05 | RMN | Continue drafting responses to Judge Morgan's issues re employee notes and researching related tax issues.  | 3.40 | 901.00   |
| 18 | 05/16/05 | RMN | Continue drafting responses to Judge Morgan's issues re employee notes and researching related tax issues.  | 3.40 | 901.00   |
| 19 | 05/16/05 | RMN | Continue drafting responses to Judge Morgan's issues re employee notes and researching related tax issues.  | 3.40 | 901.00   |
| 20 | 05/16/05 | RMN | Correspond with F. Iking re salary information of employee note obligors.   | 0.10 | 26.50    |
| 21 | 05/16/05 | RMN | Correspond with F. Iking re salary information of employee note obligors.   | 0.10 | 26.50    |
| 22 | 05/18/05 | RMN | Continue reviewing tax issues re employee notes.  | 1.00 | 265.00   |
| 23 | 05/18/05 | RMN | Continue reviewing tax issues re employee notes.  | 1.00 | 265.00   |
| 24 | 05/20/05 | RMN | Continue reviewing tax issues re employee notes and related materials.  | 2.40 | 636.00   |
| 25 | 05/20/05 | RMN | Continue reviewing tax issues re employee notes and related materials.  | 2.40 | 636.00   |
| 26 | 05/25/05 | PJJ | Salary analysis re employee note sale.  | 0.60 | 96.00    |
| 27 | 05/25/05 | PJJ | Salary analysis re employee note sale.  | 0.60 | 96.00    |
| 28 | 05/25/05 | PJJ | Salary analysis re employee note sale.  | 0.60 | 96.00    |
|    | 05/25/05 | PJJ | Litigation analysis relating to employee note sale.   | 0.40 | 64.00    |
|    | 05/25/05 | RMN | Review summary of salary info re employee note obligors.  | 0.20 | 53.00    |
|    | 05/25/05 | RMN | Review summary of salary info re employee note obligors.  | 0.20 | 53.00    |
|    | 05/25/05 | RMN | Continue reviewing and research issues (including tax issues) re employee notes and drafting responses to same.   | 3.90 | 1,033.50 |
|    | 05/25/05 | RMN | Continue reviewing and research issues (including tax issues) re employee notes and drafting responses to same.   | 3.90 | 1,033.50 |
|    | 05/25/05 | RMN | Continue reviewing and research issues (including tax issues) re employee notes and drafting responses to same.   | 3.90 | 1,033.50 |
|    | 05/25/05 | RMN | Confer with R. Swanson re employee note issues.   | 0.10 | 26.50    |
|    | 05/26/05 | PJJ | Prepare litigation analysis chart with respect to employee note sale.   | 0.30 | 48.00    |
|    | 05/26/05 | PJJ | Prepare litigation analysis chart with respect to employee note sale.   | 0.30 | 48.00    |
|    | 05/26/05 | PJJ | Prepare litigation analysis chart with respect to employee note sale.   | 0.30 | 48.00    |
|    | 05/26/05 | PJJ | Revise litigation analysis chart.   | 0.10 | 16.00    |
|    | 05/26/05 | RMN | Confer with P. Larson re form of employee note.   | 0.10 | 26.50    |

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| 05/26/05 | RMN | Continue reviewing employee note issues, reviewing related materials, and drafting responses.  | 2.90 | 768.50   |
| 05/26/05 | RMN | Review correspondence from Committee re form of employee note, and review related files and correspondence.  | 0.60 | 159.00   |
| 06/02/05 | RMN | Confer with JMF re abandonment issues re employee notes, and review notes re related issues.   | 0.20 | 53.00    |
| 06/06/05 | RMN | Review correspondence re contacts for potential collection counsel and related information.  | 0.30 | 7.50     |
| 06/08/05 | RMN | Message from Ralph Swanson and review related notes.   | 0.20 | 53.00    |
| 06/10/05 | RMN | Call R. Swanson re employee note issues.   | 0.10 | 26.50    |
| 06/10/05 | RMN | Review file/notes re employee notes, and prepare for calls to potential collection counsel re same.  | 0.70 | 185.50   |
| 06/15/05 | RMN | Confer with R. Swanson re Buyers' statement of position.   | 0.20 | 53.00    |
| 06/15/05 | RMN | Correspondence with R. Swanson re employee notes issues.   | 0.20 | 53.00    |
| 06/15/05 | RMN | Additional conference with R. Swanson re Buyers' statement of position and related issues.   | 0.40 | 106.00   |
| 06/16/05 | RMN | Confer with K. Young re potential interest in collection on the employee notes.  | 0.30 | 79.50    |
| 06/20/05 | RMN | Correspondence with potential collection counsel re employee notes.  | 0.20 | 53.00    |
| 06/21/05 | RMN | Continue addressing employee notes issues and tasks, and review related documents.   | 0.40 | 106.00   |
| 06/21/05 | RMN | Correspondence from R. Swanson re employee notes issues.   | 0.10 | 26.50    |
| 06/22/05 | RMN | Continue addressing employee notes issues/tasks.   | 0.50 | 132.50   |
| 06/23/05 | RMN | Continue addressing employee notes issues and preparing related pleadings; coordinate plan and related to (sic) documents to Buyers' counsel, and conferences re same. | 2.40 | 636.00   |
| 06/24/05 | RMN | Continue reviewing tax issues and Plan provisions, and preparing pleadings, re employee notes.   | 4.10 | 1,086.50 |
| 06/24/05 | RMN | Follow up calls to potential collection counsel and review related notes.  | 0.20 | 53.00    |

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| 1  | 06/27/05 | RMN | Continue preparing supplemental memo of points and authorities and addressing related issues; Draft memo to TSK and JMF regarding status of related tasks and issues.                       | 2.30 | 609.50   |
| 2  |          |     |   |      |          |
| 3  |          |     |   |      |          |
| 4  | 06/28/05 | RMN | Memo to TSK and JMF re open issues/tasks re employee notes; continue preparing employee notes pleadings; revisions to summaries of estimated collection costs and or employee salary info.  | 5.40 | 1,431.00 |
| 5  |          |     |   |      |          |
| 6  |          |     |   |      |          |
| 7  | 06/28/05 | RMN | Follow up correspondence with potential collection counsel.   | 0.40 | 106.00   |
| 8  | 06/28/05 | RMN | Correspond with K. Young re form of employee notes.   | 0.10 | 26.50    |
| 9  | 06/28/05 | RMN | Confer with M. Hancock re potential interest in collection on the employee notes and related issues.  | 0.20 | 53.00    |
| 10 |          |     |   |      |          |
| 11 | 06/29/05 | RMN | Continue revisions to summaries of estimated collection costs of employee salary information; continue reviewing and addressing employee notes issues.                                      | 0.90 | 238.50   |
| 12 |          |     |   |      |          |
| 13 |          |     |   |      |          |
| 14 | 06/29/05 | RMN | Continue drafting employee notes pleadings.   | 1.90 | 503.50   |
| 15 | 06/29/05 | RMN | Confer with K. Young re reluctance to pursue collection efforts on employee notes.  | 0.30 | 79.50    |
| 16 | 06/30/05 | RMN | Continue drafting employee notes pleadings; continue revisions to summary of estimated collection costs; initial review of Buyers' statement of position, and correspond with team re same. | 3.30 | 874.50   |
| 17 |          |     |   |      |          |
| 18 |          |     |   |      |          |
| 19 | 07/01/05 | RMN | Confer with L. Palazzolo re employee notes and related issues.  | 0.20 | 53.00    |
| 20 | 07/01/05 | RMN | Continue preparing employee notes pleadings and reviewing related documents and issues.   | 1.20 | 318.00   |
| 21 | 07/05/05 | RMN | Continue preparing employee note pleadings and reviewing related issues.  | 0.20 | 53.00    |
| 22 |          |     |   |      |          |
| 23 | 07/05/05 | RMN | Confer with R. Ho re employee notes.  | 0.10 | 26.50    |
| 24 | 07/06/05 | RMN | Continue preparing employee note pleadings.   | 1.50 | 397.50   |
| 25 | 07/06/05 | RMN | Prepare for conference with R. Ho and review related notes.   | 0.20 | 53.00    |
| 26 | 07/06/05 | RMN | Correspond with P. Larson re defaults under employee notes.   | 0.10 | 26.50    |
| 27 | 07/06/05 | RMN | Confer with R. Ho re employee notes issues and tasks.   | 0.40 | 106.00   |
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| 1  | 07/06/05 | RMN | Confer with T. Keller re employee notes pleadings and related issues.   | 0.40 | 106.00   |
| 2  | 07/06/05 | RMN | Confer with K. Brown re estimated litigation costs of pursuing employee notes.  | 0.50 | 132.50   |
| 3  | 07/06/05 | RMN | Correspond with buyers' counsel re conference re employee notes.  | 0.10 | 26.50    |
| 4  | 07/06/05 | RMN | Confer and correspond with J. Fried re employee notes and related issues.   | 0.30 | 79.50    |
| 5  | 07/06/05 | RMN | Calls to potential collection counsel on employee notes.  | 0.10 | 26.50    |
| 6  | 07/07/05 | RMN | Calls to potential collection counsel on employee notes.  | 0.20 | 53.00    |
| 7  | 07/07/05 | RMN | Conference with buyers' counsel re employee notes buyers' position, and related issues.   | 0.60 | 159.00   |
| 8  | 07/07/05 | RMN | Continue drafting employee notes pleadings and review related documents and issues.   | 6.50 | 1,722.50 |
| 9  | 07/07/05 | RMN | Confer with A. Kim and P. Larson re employee notes defaults and related issues.   | 0.30 | 79.50    |
| 10 | 07/07/05 | RMN | Meeting with FTI re defaults under and issues re employee notes.  | 0.80 | 212.00   |
| 11 | 07/07/05 | RMN | Confer with T. Keller re employee notes and misc. issues.   | 0.20 | 53.00    |
| 12 | 07/07/05 | RMN | Confer with R. Swanson re employee notes issues.  | 0.20 | 53.00    |
| 13 | 07/07/05 | RMN | Confer with R. Ho re defaults under employee notes.   | 0.10 | 26.50    |
| 14 | 07/07/05 | RMN | Multiple correspondence with P. Larson and A. Kim re defaults on employee notes, and review related documents and correspondence. | 0.60 | 159.00   |
| 15 | 07/07/05 | RMN | Calls to chambers re scheduling issues re hearing on employee notes motion.   | 0.30 | 79.50    |
| 16 | 07/07/05 | RMN | Prepare for conference with buyers' counsel.  | 0.20 | 53.00    |
| 17 | 07/08/05 | RMN | Conference with multiple potential collection counsel re employee notes.  | 0.40 | 106.00   |
| 18 | 07/08/05 | RMN | Continue revising employee note pleadings.  | 1.20 | 318.00   |
| 19 | 07/08/05 | RMN | Confer with R. Swanson re employee notes pleadings.   | 0.10 | 26.50    |
| 20 | 07/09/05 | RMN | Continue drafting employee notes pleadings, and reviewing buyers' updated statement of position and related documents.            | 6.60 | 1,749.00 |
| 21 | 07/10/05 | RMN | Continue drafting employee notes pleadings.   | 6.40 | 1,696.00 |
| 22 |          |     |   |      |          |
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**UNITED STATES BANKRUPTCY COURT  
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|    |          |     |  |       |          |
|----|----------|-----|--|-------|----------|
| 1  | 07/11/05 | RMN | Continue drafting and revising employee notes pleadings, and review misc. related documents and notes.                               | 13.30 | 3,524.50 |
| 2  |          |     |  |       |          |
| 3  | 07/11/05 | RMN | Confer with M.Goodman re interest in doing collection on employee notes.   | 0.20  | 53.00    |
| 4  |          |     |  |       |          |
| 5  | 07/11/05 | RMN | Correspond with R. Ho re exhibits to employee notes motion.  | 0.20  | 53.00    |
| 6  | 07/11/05 | RMN | Call to R. Swanson re buyers' position.  | 0.10  | 26.50    |
| 7  | 07/11/05 | RMN | Confer and correspond with R. Ho re employee notes issues.   | 0.50  | 132.50   |
| 8  | 07/12/05 | RMN | Revisions to employee notes pleadings based on T. Keller's and J. Fried's comments and misc. related conferences and correspondence. | 6.40  | 1,696.00 |
| 9  |          |     |  |       |          |
| 10 | 07/12/05 | RMN | Confer with K. Young re employee notes collection issues.  | 0.10  | 26.50    |
| 11 | 07/12/05 | RMN | Confer and correspond with R. Ho re employee notes pleadings and related issues.   | 0.20  | 53.00    |
| 12 |          |     |  |       |          |
| 13 | 07/12/05 | RMN | Revisions to Ho declaration re employee notes and confer with R. Ho re same.   | 0.20  | 53.00    |
| 14 | 07/14/05 | RMN | Confer with Swanson re employee notes pleadings.   | 0.10  | 26.50    |
| 15 |          |     |  |       |          |
| 16 | 07/15/05 | RMN | Misc. conferences re employee notes pleadings.   | 0.20  | 53.00    |
| 17 | 07/21/05 | RMN | Research re issues re abandonment of employee notes and prepare summary of same.   | 0.70  | 185.50   |
| 18 | 07/21/05 | RMN | Research re issues re abandonment of employee notes and prepare summary of same.   | 1.90  | 503.50   |
| 19 | 07/25/05 | RMN | Review Committee's statement of position re employee notes motion and confer with J. Fried re same.                                  | 0.20  | 53.00    |
| 20 |          |     |  |       |          |
| 21 | 07/27/05 | RMN | Confer with T. Keller and correspond with FTI, counsel to Committee, and counsel to buyers re hearing on employee notes motion.      | 0.30  | 79.50    |
| 22 |          |     |  |       |          |
| 23 | 07/27/05 | RMN | Confer with R. Ho re employee note issues and Committee's position.  | 0.10  | 26.50    |
| 24 | 07/29/05 | RMN | Prepare for hearing on employee notes motion, and organize/review related documents.   | 0.50  | 132.50   |
| 25 |          |     |  |       |          |
| 26 | 07/29/05 | RMN | Conference with T. Keller, R. Ho, P. Costello, and counsel to buyers re hearing on employee notes motion.                            | 0.40  | 106.00   |
| 27 |          |     |  |       |          |
| 28 | 08/01/05 | RMN | Attend hearing on renewed motion on employee notes.  | 4.60  | 1,219.00 |

UNITED STATES BANKRUPTCY COURT  
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|    |          |     |   |               |                  |
|----|----------|-----|---|---------------|------------------|
| 1  | 08/09/05 | RMN | Review open issues regarding employee notes, coordinate with H. Phan re related tasks, and confer with T. Keller re same. | 0.70          | 185.50           |
| 2  |          |     |   |               |                  |
| 3  | 08/11/05 | RMN | Continue reviewing Jasmine Networks pleadings and prepare memo re same.   | 2.50          | 662.50           |
| 4  |          |     |   |               |                  |
| 5  | 08/17/05 | RMN | Review open employee notes issues and unofficial transcript of hearing.   | 0.20          | 53.00            |
| 6  | 08/19/05 | RMN | Call L. Palazzolo re employee notes motion.   | 0.10          | 26.50            |
| 7  | 08/23/05 | RMN | Confer with T. Keller re employee notes and related issues.   | 0.10          | 26.50            |
| 8  | 08/23/05 | RMN | Review misc. open issues re employee notes.   | 0.40          | 106.00           |
| 9  | 08/24/05 | RMN | Correspond with R. Swanson re declaration of obligor under employee note.   | 0.10          | 26.50            |
| 10 | 08/25/05 | RMN | Confer with J. Fried re employee notes issues.  | 0.10          | 26.50            |
| 11 | 10/07/05 | RMN | Correspondence with R. Ho re comments to reply.   | 0.10          | 26.50            |
| 12 | 10/14/05 | RMN | Review correspondence re abandonment research and related issues.   | 0.30          | 79.50            |
| 13 |          |     |   |               |                  |
| 14 | 10/14/05 | RMN | Attend hearing on employee notes sale and tax determination motions, including post-hearings conference with parties.     | 3.40          | 901.00           |
| 15 |          |     |   |               |                  |
| 16 | 10/17/05 | RMN | Draft letter to P. Costello re abandonment of employee notes, tax liability, and related issues.                          | 1.80          | 477.00           |
| 17 | 10/27/05 | JMF | Draft analysis to committee re abandonment of notes.  | 1.20          | 438.00           |
| 18 | 03/07/06 | PJJ | Discuss employee notes with R. Naguiat.   | 0.20          | 35.00            |
| 19 | 03/07/06 | PJJ | Draft letter to R. Swanson re original employee notes.  | 0.20          | 35.00            |
| 20 | 03/07/06 | RMN | Confer with R. Swanson re employee notes.   | 0.10          | 29.50            |
| 21 | 03/08/06 | RMN | Confer with PJJ re delivery of employee notes to Buyers.  | 0.10          | 29.50            |
| 22 |          |     |   |               |                  |
| 23 | 03/13/06 | PJJ | Review original employee notes/agreements.  | 2.20          | 385.00           |
| 24 | 03/13/06 | RMN | Confer with PJJ re employee notes.  | 0.10          | 29.50            |
| 25 | 03/14/06 | PJJ | Revise letter to Swanson re employee notes.   | 0.20          | 35.00            |
| 26 |          |     | <b>Subtotal</b>   | <b>154.80</b> | <b>40,871.00</b> |
| 27 |          |     | <b>Tax Issues</b>   |               |                  |
| 28 | 10/27/05 | RMN | Review documents, notes, and correspondence re abandonment issues and prepare draft letter to P. Costello re same.        | 1.40          | 371.00           |

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|  |  | <b>Subtotal</b> | <b>1.40</b>   | <b>371.00</b>    |
|  |  | <b>TOTAL</b>    | <b>200.60</b> | <b>56,912.50</b> |

**EXHIBIT B**

| Date     | Time-keeper | Description   | Hours | Amount |
|----------|-------------|---|-------|--------|
|          |             | <b>Bankruptcy Litigation</b>  |       |        |
| 07/08/05 | RMN         | Research re timing of service of complaint and correspond with T. Keller re same. | 0.60  | 159.00 |
| 07/08/05 | RMN         | Research re statute of limitations issues.  | 1.90  | 503.30 |
| 07/11/05 | RMN         | Prepare complaints on employee notes, and review related correspondence.          | 0.60  | 159.00 |
| 07/12/05 | RMN         | Continue preparing complaint form re employee notes,                              | 0.50  | 132.50 |
| 07/13/05 | TSK         | Review and mark up draft complaint in form of note.                               | 0.30  | 135.00 |
| 07/14/05 | PJJ         | Discuss adversaries with R. Naguiat.  | 0.20  | 32.00  |
| 07/14/05 | PJJ         | Prepare adversary pleadings.  | 5.00  | 800.00 |
| 07/14/05 | JMF         | Confer with R. Naguiat and P. Jeffries re complaints.                             | 0.30  | 109.50 |
| 07/15/05 | PJJ         | Work on adversary pleadings; efile same.  | 4.80  | 768.00 |
| 07/21/05 | PJJ         | Research adversary fee waiver.  | 0.30  | 48.00  |
| 07/21/05 | PJJ         | Review Summonses per Court request.   | 2.10  | 336.00 |
| 07/24/05 | PJJ         | Revise Summonses per Court request.   | 0.80  | 218.00 |
| 07/25/05 | PJJ         | Telephone call to Court re payment of adversary proceedings.                      | 0.20  | 32.00  |
| 07/25/05 | PJJ         | Prepare cover letter to clerk re payment of adversaries.                          | 0.20  | 32.00  |
| 07/25/05 | PJJ         | Prepare and upload revised Summonses per Court request.                           | 1.80  | 288.00 |
| 07/26/05 | PJJ         | Discuss next round of adversary proceedings.                                      | 0.10  | 16.00  |
| 07/26/05 | PJJ         | Prepare adversary Summonses.  | 0.50  | 80.00  |
| 07/27/05 | PJJ         | Prepare next round of adversary pleadings.  | 1.70  | 272.00 |
| 07/28/05 | PJJ         | Review complaints.  | 0.20  | 32.00  |
| 07/29/05 | PJJ         | Finalize filing of adversaries.   | 2.50  | 400.00 |
| 08/03/05 | PJJ         | Review summonses issued by Court.   | 0.20  | 32.00  |

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| 08/09/05 | JMF | Review CMC orders re AVPs; office conferences with R. Naguiat and T. Keller re 9019 motion preparation.       | 0.50 | 182.50 |
| 08/11/05 | PJJ | Prepare adversary pleadings.  | 2.00 | 320.00 |
| 08/12/05 | PJJ | Prepare adversaries for filing; efile same.   | 1.50 | 240.00 |
| 09/14/05 | RMN | Continue drafting application to continue case management conferences, and confer with PJJ re related issues. | 1.00 | 265.00 |
| 09/26/05 | RMN | Revisions to draft form of application to continue case management conferences.                               | 0.20 | 53.00  |
| 09/27/05 | RMN | Confer with PJJ re misc. issues re adversary proceedings.   | 0.20 | 53.00  |
| 09/28/05 | RMN | Revisions to draft form of application to continue case management conferences.                               | 0.10 | 26.50  |
| 09/30/05 | RMN | Revisions to application to continue case management conferences and exhibits thereto.                        | 0.30 | 79.50  |
| 10/03/05 | PJJ | Review application to continue CMC.   | 0.20 | 32.00  |
| 10/06/05 | PJJ | Review applications to continue CMC's with R. Naguiat and H. Phan.  | 0.20 | 32.00  |
| 11/01/05 | RMN | Confer with PJJ re issues re employee notes adversary proceedings.  | 0.30 | 79.50  |
| 11/02/05 | PJJ | Discuss adversary service issues with R. Naguiat and J. Fried.  | 0.30 | 48.00  |
| 11/02/05 | PJJ | Telephone call with USBC re Alias Summonses.  | 0.30 | 48.00  |
| 11/02/05 | PJJ | Telephone call with R. Ho and R. Naguiat re adversaries.  | 0.20 | 32.00  |
| 11/02/05 | RMN | Confer with PJJ re issues re adversary proceedings on employee notes.   | 0.20 | 53.00  |
| 11/07/05 | PJJ | Research addresses of defendants for service of Alias Summonses.  | 5.00 | 800.00 |
| 11/07/05 | PJJ | Telephone call with Court re Alias Summonses.   | 0.20 | 32.00  |
| 11/07/05 | RMN | Confer with R. Swanson re issues re service of complaints.  | 0.10 | 26.50  |
| 11/08/05 | PJJ | Review Alias Summonses received by Court.   | 0.20 | 32.00  |
| 11/08/05 | PJJ | Voicemail to Court re Alias Summonses.  | 0.10 | 16.00  |
| 11/08/05 | PJJ | Telephone call to Court re Alias Summonses.   | 0.10 | 16.00  |
| 11/09/05 | PJJ | Review Alias Summonses returned by Court.   | 1.00 | 160.00 |

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|    |          |     |  |      |          |
|----|----------|-----|--|------|----------|
| 1  | 11/10/05 | PJJ | Review Orders received from Court re Adversaries.  | 0.30 | 48.00    |
| 2  | 11/14/05 | PJJ | Prepare Alias Summonses for service.   | 6.70 | 1,072.00 |
| 3  | 11/16/05 | PJJ | Prepare additional Alias Summonses for service.  | 3.30 | 528.00   |
| 4  | 11/16/05 | RMN | Confer with T. Lundell re P. Farrell adversary proceeding.   | 0.10 | 26.50    |
| 5  | 11/18/05 | PJJ | Prepare Execution of service of Alias Summonses for efilng; efile same.                                | 1.80 | 228.00   |
| 6  | 11/18/05 | JMF | Follow up re service/issue of alias summonses.   | 0.20 | 73.00    |
| 7  | 11/18/05 | RMN | Correspond with team re service of complaints.   | 0.10 | 26.50    |
| 8  | 11/21/05 | PJJ | Telephone call with Court re issuance of Alias Summons (.2); draft Alias and cover sheet re same (.3). | 0.50 | 80.00    |
| 9  | 11/21/05 | PJJ | Continue efilng execution of service of Alias Summonses.   | 1.10 | 176.00   |
| 10 | 11/21/05 | RMN | Confer with PJJ re misc. issues re employee notes complaints and summonses.                            | 0.20 | 53.00    |
| 11 | 11/22/05 | PJJ | Telephone call to Court re Bouvier Alias.  | 0.30 | 48.00    |
| 12 | 11/22/05 | RMN | Confer with PJJ re employee notes complaints.  | 0.10 | 26.50    |
| 13 | 11/23/05 | RMN | Review letter from Haltech re complaint to collect on employee note.                                   | 0.10 | 26.50    |
| 14 | 11/23/05 | RMN | Confer and correspond with R. Swanson re extension of time to respond to complaints.                   | 0.30 | 79.50    |
| 15 | 12/02/05 | PJJ | Prepare adversary summons for service.   | 0.30 | 48.00    |
| 16 | 12/06/05 | RMN | Confer with T. Lundell re Ferell adversary proceeding.   | 0.20 | 53.00    |
| 17 | 12/19/05 | RMN | Call R. Pennell re inquiry re employee note adversary.   | 0.10 | 26.50    |
| 18 | 12/21/05 | RMN | Confer with P. Ferell re adversary proceeding.   | 0.10 | 26.50    |
| 19 | 12/22/05 | PJJ | Review adversary dockets (68); prepare memo to R. Swanson re upcoming deadlines.                       | 2.00 | 320.00   |
| 20 | 12/23/05 | PJJ | Voicemail to R. Pennell re employee note adversaries.  | 0.10 | 16.00    |
| 21 | 12/27/05 | PJJ | Review dismissal procedures.   | 0.40 | 64.00    |
| 22 | 12/27/05 | RMN | Memo to R. Swanson re adversary proceeding issues.   | 0.70 | 185.50   |
| 23 | 12/30/05 | RMN | Correspondence with R. Swanson re adversary proceedings on employee notes.                             | 0.10 | 26.50    |
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|    |          |     |   |              |                  |
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| 1  | 01/05/06 | RMN | Confer with clerk re upcoming status conference on employee notes adversary proceedings.  | 0.10         | 26.50            |
| 2  | 01/05/06 | RMN | Correspond with R. Swanson re adversary proceedings on employee notes.  | 0.10         | 26.50            |
| 3  | 01/08/06 | PJJ | Revise form of adversary dismissal.   | 0.60         | 105.00           |
| 4  | 01/10/06 | RMN | Prepare for and attend status conference on adversary proceedings on employee notes.  | 0.50         | 147.50           |
| 5  | 01/10/06 | RMN | Review form of dismissal of adversary proceedings and confer with PJJ re related issues.  | 0.20         | 59.00            |
| 6  | 01/12/06 | RMN | Confer with PJJ re dismissals of adversary proceedings.   | 0.10         | 29.50            |
| 7  | 01/18/06 | PJJ | Prepare adversary dismissals (67+).   | 7.90         | 1,382.50         |
| 8  | 01/18/06 | RMN | Review revised form of notice of dismissal of adversary proceedings on employee notes and confer with PJJ re same.                                    | 0.10         | 29.50            |
| 9  |          |     | <b>Subtotal</b>   | <b>67.70</b> | <b>12,274.30</b> |
| 10 |          |     | <b>Litigation (Non-Bankruptcy)</b>  |              |                  |
| 11 | 07/13/05 | RMN | Revisions to form of complaint based on T. Keller's comments, and confer with P. Jeffries and H. Phan re preparation of complaints on employee notes. | 1.10         | 291.50           |
| 12 | 07/14/05 | RMN | Further revisions to forms of complaint for obligors on multiple notes, and review/revise individual complaints, cover sheets, and summonses.         | 7.90         | 2,093.50         |
| 13 | 07/15/05 | RMN | Research on promissory note and complaint issues.   | 1.70         | 450.50           |
| 14 | 07/18/05 | RMN | Confer with M. McGowan from court re administrative issues re complaints on employee notes.   | 0.10         | 26.50            |
| 15 | 07/25/05 | RMN | Prepare second round of complaints on employee notes.   | 0.50         | 132.50           |
| 16 | 07/25/05 | RMN | Confer with P. Jeffries and H. Phan re employee notes complaints.   | 0.10         | 26.50            |
| 17 | 07/25/05 | RMN | Memo to P. Jeffries re complaints on employee notes.  | 0.10         | 26.50            |
| 18 | 07/26/05 | RMN | Continue preparing and review individual complaints on employee notes, and coordinate with A. Zaragoza re same.                                       | 1.40         | 371.00           |
| 19 | 07/26/05 | RMN | Confer with P. Jeffries re misc. issues re complaints on employee notes.  | 0.10         | 26.50            |
| 20 |          |     |   |              |                  |
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|----|----------|-----|---|------|--------|
| 1  | 07/28/05 | RMN | Confer and coordinate with P. Jeffries re individual complaints on employee notes.  | 0.30 | 79.50  |
| 2  | 07/28/05 | RMN | Confer with Jessica from bankruptcy court re filing fee issues.   | 0.10 | 26.50  |
| 3  | 08/02/05 | RMN | Review adversary proceeding issues/documents and call chambers regarding same and related issues.   | 0.40 | 106.00 |
| 4  | 08/02/05 | RMN | Review Jasmine Networks docket re summary judgment motions and correspond with team re same.  | 0.50 | 132.50 |
| 5  | 08/09/05 | RMN | Review drafts of additional complaints on employee notes.   | 0.80 | 212.00 |
| 6  | 08/09/05 | RMN | Confer with M. McGowan and J. Fried re case management conferences.   | 0.20 | 53.00  |
| 7  | 08/09/05 | RMN | Confer with M. Choi re case management conferences and related issues.  | 0.20 | 53.00  |
| 8  | 08/09/05 | RMN | Review issues re adversary proceedings and related matters.   | 0.20 | 53.00  |
| 9  | 08/10/05 | RMN | Review adversary proceedings and related documents in Jasmine Networks cases (referenced by Judge Morgan at hearing on employee notes).       | 1.80 | 477.00 |
| 10 | 08/10/05 | RMN | Confer with H. Phan re employee notes complaints.   | 0.10 | 26.50  |
| 11 | 08/11/05 | RMN | Correspond with R. Ho re Jasmine Networks adversary proceedings.  | 0.10 | 26.50  |
| 12 | 08/11/05 | RMN | Review revisions to complaints on employee notes.   | 0.10 | 26.50  |
| 13 | 10/03/05 | RMN | Coordinate filing of application to continue case management conferences.   | 0.10 | 26.50  |
| 14 | 10/05/05 | RMN | Call chambers re continuance of case management conferences.  | 0.20 | 53.00  |
| 15 | 10/07/05 | RMN | Review individual applications to continue case management conferences.   | 0.10 | 26.50  |
| 16 | 10/11/05 | PJJ | Research summons not issued; refile same.   | 0.40 | 64.00  |
| 17 | 10/17/05 | PJJ | Prepare new adversary filing documents.   | 0.90 | 144.00 |
| 18 | 10/17/05 | PJJ | Prepare Alias summonses.  | 0.50 | 80.00  |
| 19 | 10/17/05 | RMN | Begin reviewing issues re adversary proceedings on employee notes in light of hearings on employee notes motion and tax determination motion. | 0.20 | 53.00  |
| 20 | 10/20/05 | PJJ | Prepare Alias Summonses.  | 3.30 | 528.00 |

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| 10/20/05 | RMN | Confer with PJJ re misc. issues re employee notes adversary proceedings.                                    | 0.10         | 26.50            |
| 10/21/05 | RMN | Confer with P. Ferrell re continue case management conference in employee note adversary.                   | 0.20         | 53.00            |
| 10/24/05 | PJJ | Revise additional adversary complaints.   | 0.40         | 64.00            |
| 10/24/05 | RMN | Additional complaints on employee notes and review service of existing complaints and misc. related issues. | 1.10         | 291.50           |
| 10/25/05 | PJJ | Prepare adversaries for filing; efile same.   | 0.50         | 80.00            |
| 10/25/05 | PJJ | Review Alias summonses and orders continuing CMC's.   | 0.40         | 64.00            |
| 10/27/05 | RMN | Confer with PJJ re misc. employee notes adversary proceedings issues.                                       | 0.20         | 53.00            |
|          |     | <b>Subtotal</b>   | <b>26.40</b> | <b>6,324.00</b>  |
|          |     | <b>TOTAL</b>  | <b>94.10</b> | <b>18,598.30</b> |

**EXHIBIT C**

| <b>Date</b> | <b>Time-keeper</b> | <b>Description</b>   | <b>Hours</b> | <b>Amount</b> |
|-------------|--------------------|--|--------------|---------------|
|             |                    | <b>Bankruptcy Litigation</b>   |              |               |
| 08/17/05    | JMF                | Revise tax motion and authorities.   | 1.00         | 365.00        |
| 08/18/05    | JMF                | Follow up with R. Naguiat re tax motion and finalizing of order re same.                                       | 0.30         | 109.50        |
| 08/19/05    | JMF                | Review motion re hearing and 505 tax relief and follow up with R. Naguiat re same.                             | 0.30         | 109.50        |
| 08/22/05    | JMF                | Follow up with R. Naguiat re tax motion and amended 9019 motion.   | 0.20         | 73.00         |
| 08/24/05    | JMF                | Office conferences with R. Naguiat re tax motion.  | 0.20         | 73.00         |
| 08/26/05    | JMF                | Office conference with R. Naguiat re tax motion.   | 0.20         | 83.00         |
| 09/06/05    | JMF                | Follow up re R. Naguiat re tax motion.   | 0.10         | 36.50         |
| 09/06/05    | JMF                | Review tax supplement.   | 0.20         | 73.00         |
| 09/06/05    | RMN                | Correspond with JMF re tax determination motion.   | 0.20         | 53.00         |
| 09/06/05    | RMN                | Correspond with R. Ho re discussions with taxing authorities.  | 0.20         | 53.00         |
| 09/06/05    | RMN                | Continue preparing tax determination motion, and conferences with team re same.                                | 3.70         | 980.50        |
| 09/06/05    | RMN                | Revisions to draft notice of continued hearing on Renewed Motion.  | 0.20         | 53.00         |
| 09/07/05    | JMF                | Telephone conference with R. Ho re tax motion.   | 0.20         | 73.00         |
| 09/07/05    | JMF                | Revise tax motion (2.1); follow up with R. Naguiat re same (.2).   | 2.30         | 839.50        |
| 09/07/05    | RMN                | Review CBT pleadings re tax issues relevant to Kestrel tax determination motion.                               | 2.70         | 715.50        |
| 09/07/05    | RMN                | Correspond with R. Ho re declaration in support of tax determination motion.                                   | 0.10         | 26.50         |
| 09/07/05    | RMN                | Conference with JMF and R. Ho re tax determination motion, sale, and related issues.                           | 0.50         | 132.50        |
| 09/08/05    | RMN                | Revisions to tax determination pleadings, correspondence with P. Larson re letters, and review related issues. | 0.80         | 212.00        |
| 09/09/05    | JMF                | Review/edit tax motion.  | 1.60         | 584.00        |

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|----|----------|-----|---|--------------|-----------------|
| 1  | 09/09/05 | RMN | Finalize tax determination pleading and coordinate filing and service of same.  | 0.90         | 238.50          |
| 2  | 09/09/05 | RMN | Correspond with R. Ho re tax determination pleadings.   | 0.10         | 26.50           |
| 3  | 09/14/05 | JMF | Review joinder and declaration re tax motion.   | 0.30         | 109.50          |
| 4  | 09/15/05 | JMF | Follow up with R. Naguiat re service of tax motion and hearing.   | 0.20         | 73.00           |
| 5  | 09/26/05 | JMF | Review tax caselaw to 505(a) motion.  | 0.20         | 73.00           |
| 6  | 09/26/05 | RMN | Correspond with P. Costello re tax determination motion issues.   | 0.20         | 73.00           |
| 7  | 09/28/05 | RMN | Review draft statement of Committee re tax determination motion and correspond with P. Costello and R. Ho re same.  | 0.40         | 106.00          |
| 8  | 09/28/05 | RMN | Confer with R. Ho re Committee's statement re tax determination motion.   | 0.10         | 26.50           |
| 9  | 09/30/05 | RMN | Review IRS' opposition to tax determination motion and begin researching and drafting reply.  | 1.40         | 371.00          |
| 10 | 11/01/05 | RMN | Confer with R. Ho re PwC's analysis of tax issues.  | 0.30         | 79.50           |
| 11 | 11/10/05 | RMN | Multiple conferences and correspondence with team re tax issues and Committee's position re same.   | 0.60         | 159.00          |
| 12 | 12/29/05 | RMN | Correspond with M. Barron and R. Ho re 505(b) procedures and issues.  | 0.20         | 53.00           |
| 13 | 01/05/06 | RMN | Confer with R. Ho re 505(b) issues and indenture trustee fees.  | 0.10         | 26.50           |
| 14 |          |     | <b>Subtotal</b>   | <b>20.00</b> | <b>6,060.00</b> |
| 15 |          |     | <b>Litigation (Non-Bankruptcy)</b>  |              |                 |
| 16 | 05/23/05 | RMN | Research re tax issues re section 505 and employee notes.   | 1.30         | 344.50          |
| 17 | 06/23/05 | RMN | Continue reviewing tax determination and related issues re employee notes.  | 0.60         | 159.00          |
| 18 | 08/10/05 | RMN | Coordinate with H. Phan re contacts at taxing authorities and review related issues.  | 0.30         | 79.50           |
| 19 | 08/10/05 | RMN | Review unofficial transcript of hearing on employee notes, and begin drafting separate tax determination motion in accordance with Judge Morgan's instructions. | 2.40         | 636.00          |
| 20 | 08/11/05 | RMN | Confer with R. Ho re employee notes tax issues and related pleadings.   | 0.20         | 53.00           |
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| 08/11/05 | RMN | Continue preparing separate tax determination motion.   | 1.20  | 318.00   |
| 08/12/05 | RMN | Correspond with T . Keller and R. Ho re contacting taxing authorities.  | 0.10  | 26.50    |
| 08/15/05 | RMN | Confer with T. Keller and correspond with R. Ho re taxing authorities and related issues.                       | 0.20  | 53.00    |
| 08/15/05 | RMN | Continue preparing tax determination motion.  | 0.80  | 212.00   |
| 08/16/05 | RMN | Continue preparing tax determination relief and research re related tax issues.                                 | 6.20  | 1,643.00 |
| 08/17/05 | RMN | Continue researching tax issues and drafting tax determination motion.  | 6.50  | 1,722.50 |
| 08/17/05 | RMN | Confer with J. Fried re tax issues and employee notes.  | 0.10  | 26.50    |
| 08/18/05 | RMN | Review J. Fried's comments to tax determination motion and revise motion based on same.                         | 3.20  | 848.00   |
| 08/18/05 | RMN | Misc. correspondence with J. Fried and R. Ho re tax determination motion.                                       | 0.30  | 79.50    |
| 08/24/05 | RMN | Confer with R. Ho re status of discussions with taxing authorities.   | 0.20  | 53.00    |
| 08/24/05 | RMN | Continue tax determination motion.  | 0.20  | 53.00    |
| 08/25/05 | RMN | Continue preparing tax determination motion and reviewing related issues.                                       | 1.00  | 265.00   |
| 08/26/05 | RMN | Continue drafting tax determination motion and reviewing related issues and documents.                          | 3.20  | 848.00   |
| 08/29/05 | RMN | Continue drafting Ho declaration in support of tax determination motion and notice of tax determination motion. | 0.40  | 106.00   |
| 10/03/05 | RMN | Draft reply to IRS' response to tax determination motion.   | 6.90  | 1,828.50 |
| 10/04/05 | RMN | Continue drafting reply to IRS' response and research re same.  | 9.90  | 2,623.50 |
| 10/06/05 | JMF | Revise reply to tax motion and office conferences with R. Naguiat re revisions to same.                         | 3.10  | 1,131.50 |
| 10/06/05 | RMN | Continue drafting reply to IRS and researching related issues.  | 10.10 | 2,676.50 |
| 10/06/05 | RMN | Call R. Lee to discuss IRS' response.   | 0.10  | 26.50    |
| 10/06/05 | RMN | Correspond with R. Ho re IRS response.  | 0.10  | 26.50    |
| 10/07/05 | JMF | Revise/edit reply to tax motion.  | 1.90  | 693.50   |

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| 1  | 10/07/05 | RMN | Conference with R. Lee and J. Whitten of IRS re tax determination motion.                             | 0.40         | 106.00           |
| 2  | 10/07/05 | RMN | Revisions to reply to IRS based on JMF's comments, and additional research re same.                   | 3.20         | 848.00           |
| 3  | 10/13/05 | RMN | Confer with R. Ho re hearing on tax determination motion.   | 0.10         | 26.50            |
| 4  | 10/13/05 | RMN | Calls to R. Swanson and L. Pallazolo re hearings on tax determination motion and employee notes sale. | 0.20         | 53.00            |
| 5  | 10/14/05 | JMF | Prepare for tax hearing motion (1.1); travel to and attend hearing (3.8).                             | 4.90         | 1,788.50         |
| 6  | 10/17/05 | RMN | Correspondence re hearing on tax determination motion.  | 0.10         | 26.50            |
| 7  | 10/18/05 | RMN | Review unofficial transcription of hearing on tax determination motion.                               | 0.20         | 53.00            |
| 8  |          |     | <b>Subtotal</b>   | <b>69.60</b> | <b>19,434.00</b> |
| 9  |          |     | <b>Plan Implementation</b>  |              |                  |
| 10 | 02/03/06 | JMF | Review status of Section 505 determinations and review claim, update committee re same.               | 0.30         | 118.50           |
| 11 |          |     | <b>Subtotal</b>   | <b>0.30</b>  | <b>118.50</b>    |
| 12 |          |     | <b>Tax Issues</b>   |              |                  |
| 13 | 10/24/05 | RMN | Confer with R. Ho re PwC review of tax liability exposure re employee notes.                          | 0.20         | 53.00            |
| 14 | 10/24/05 | RMN | Call M. Baron from PwC to discuss tax issues re employee notes.                                       | 0.10         | 26.50            |
| 15 | 10/25/05 | RMN | Confer with M. Barron re employee notes and related tax issues.                                       | 0.30         | 79.50            |
| 16 | 10/26/05 | RMN | Confer with R. Ho and A. Choi re employee notes tax issues and review related correspondence.         | 0.20         | 53.00            |
| 17 | 10/27/05 | RMN | Call M. Barron to follow up re tax liability issues re employee notes.                                | 0.10         | 26.50            |
| 18 | 10/28/05 | RMN | Calls to/from R. Ho re tax liability issues.  | 0.10         | 26.50            |
| 19 | 10/31/05 | RMN | Confer with R. Ho re PwC and tax liability issues.  | 0.20         | 53.00            |
| 20 | 11/01/05 | RMN | Correspond with M. Barron re tax analysis and follow up questions.                                    | 0.20         | 53.00            |
| 21 | 11/01/05 | RMN | Review employment tax liability and 505(b) issues and memo from M. Barron (PwC) re related issues.    | 1.60         | 424.00           |
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| 1  | 11/01/05 | RMN | Correspond with JMF re PwC's analysis of tax issues.   | 0.10 | 26.50  |
| 2  | 11/08/05 | RMN | Confer with R. Ho re employment tax issues re employee notes.  | 0.30 | 79.50  |
| 3  | 11/08/05 | RMN | Call P. Costello to discuss employee notes tax issues.   | 0.10 | 26.50  |
| 4  | 11/09/05 | RMN | Confer with JMF re employee notes tax issues.  | 0.10 | 26.50  |
| 5  | 11/09/05 | RMN | Correspondence and conferences with R. Ho and M. Barron re tax liability issues re employee notes.     | 0.40 | 106.00 |
| 6  | 11/09/05 | RMN | Draft letter to P. Costello re employee notes and related tax issues.                                  | 0.30 | 79.50  |
| 7  | 11/10/05 | RMN | Continue drafting form of letter to P. Costello re employee notes tax issues.                          | 0.60 | 159.00 |
| 8  | 11/10/05 | RMN | Confer with P. Costello re Committee's position re tax issues.   | 0.30 | 79.50  |
| 9  | 11/10/05 | RMN | Conference with M. Barron and R. Ho re tax issues.   | 0.20 | 53.00  |
| 10 | 11/14/05 | RMN | Continue letter to P. Costello re tax liability determination issues.                                  | 0.20 | 53.00  |
| 11 | 11/16/05 | RMN | Follow up with P. Costello re Committee's position re tax determination issues.                        | 0.10 | 26.50  |
| 12 | 01/09/06 | RMN | Confer with JMF and call M. Barron re 505(b) issues.   | 0.20 | 59.00  |
| 13 | 01/10/06 | RMN | Confer with M. Barron re 505(b) issues re state taxing authorities.                                    | 0.10 | 29.50  |
| 14 | 01/17/06 | RMN | Draft form of notice of submission of 505(b) requests.   | 0.10 | 29.50  |
| 15 | 01/17/06 | RMN | Confer with R. Ho re 505 (b) issues and re Rowan note.   | 0.20 | 59.00  |
| 16 | 01/26/06 | RMN | Continue preparing notice of submission of 505(b) requests, and correspond with R. Ho and PwC re same. | 0.40 | 118.00 |
| 17 | 01/27/06 | RMN | Review correspondence from M. Barron re 505(b) issues, and confer with R. Ho re same.                  | 0.40 | 118.00 |
| 18 | 02/01/06 | RMN | Correspond with M. Barron re 505(b) issues.  | 0.20 | 59.00  |
| 19 | 02/03/06 | RMN | Correspond with R. Ho re SBOE and EDD.   | 0.10 | 29.50  |
| 20 | 02/06/06 | PJJ | Emails re State Board of Equalization.   | 0.20 | 35.00  |
| 21 | 02/06/06 | RMN | Correspond with FTI re 505(b) issues.  | 0.10 | 29.50  |

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| 02/09/06 | RMN | Call R. Ho re 505(b) determinations.  | 0.10         | 29.50            |
| 02/14/06 | RMN | Correspond with B. Blanco and G. Wu re tax compliance verifications.                  | 0.10         | 29.50            |
| 02/21/06 | RMN | Review correspondence from R. Ho re 505(b) request.                                   | 0.10         | 29.50            |
| 02/22/06 | RMN | Correspondence with A. Kim of FTI re 505(b) request to EDD.                           | 0.20         | 59.00            |
| 02/24/06 | RMN | Revisions to notice of submission of 505(b) requests, and corespond with FTI re same. | 0.20         | 59.00            |
| 03/22/06 | RMN | Review 505(b) submission dates and related issues.                                    | 0.30         | 88.50            |
| 03/23/06 | RMN | Correspond re 505(b) dates.   | 0.10         | 29.50            |
|          |     | <b>Subtotal</b>   | <b>8.80</b>  | <b>2,401.00</b>  |
|          |     | <b>TOTAL</b>  | <b>98.70</b> | <b>28,013.50</b> |