

UNITED STATES BANKRUPTCY COURT
DISTRICT OF RHODE ISLAND

IN RE: . Case No. 1:11-bk-13105 (FJB)
.
.
THE CITY OF CENTRAL .
FALLS, RHODE ISLAND, . 380 Westminster Mall
.
Debtor. . September 6, 2012
. 10:32 a.m.

TRANSCRIPT OF HEARING
BEFORE HONORABLE FRANK BAILEY
UNITED STATES BANKRUPTCY COURT JUDGE

APPEARANCES:

For the Debtor: Orson and Brusini Ltd.
By: THEODORE ORSON, ESQ.
CHRISTINE CURLEY, ESQ.
144 Wayland Ave, Suite 400
Providence, RI 02906

For Police and Firefighter Retirees
and Associates: Salter McGowan Sylvia &
Leonard
By: MATTHEW MCGOWAN, ESQ.
321 South Main Street
Suite 301
Providence, RI 02903

For City of Central Falls City Council: Lawrence Goldberg Law Associates
By: LAWRENCE GOLDBERG, ESQ.
92 Jefferson Boulevard
Warwick, RI 02888

Audio Operator: Samuel Noguerras

Proceedings recorded by electronic sound recording, transcript
produced by transcription service

J&J COURT TRANSCRIBERS, INC.
268 Evergreen Avenue
Hamilton, New Jersey 08619
E-mail: jjcourt@jjcourt.com

(609) 586-2311 Fax No. (609) 587-3599

APPEARANCES (Cont'd):

For Local 94:

Delaney & DeMerchant, LLC
By: SUSAN C. BENFEITO, ESQ.
91 Friendship Street, Ste 1
Providence, RI 02903

- - -

I N D E X

PAGE

WITNESS

GAYLE CORRIGAN

Cross Examination by Mr. Goldberg

83

1 (The following is the requested excerpted portion of the
2 proceedings.)

3 COURTROOM DEPUTY: Please be seated. This is the
4 City of Central Falls, Rhode Island. Could you please identify
5 yourself for the record?

6 MR. ORSON: Theodore Orson on behalf of John F.
7 McJennett, III, the receiver for the City of Central Falls and
8 for the State of Rhode Island.

9 MR. McGOWAN: Matthew McGowan for the Central Falls
10 Police and Firefighter Retirees Associations and 108 Police and
11 Firefighter retirees.

12 THE COURT: Okay.

13 MR. GOLDBERG: Lawrence Goldberg, special counsel to
14 City Council of Central Falls.

15 MR. BENFEITO: (Inaudible).

16 THE COURT: Okay. I'm not sure we're getting that.
17 Did we get that?

18 UNIDENTIFIED SPEAKER: No.

19 THE COURT: I think if -- did we get Mr. Goldberg's
20 appearance?

21 UNIDENTIFIED SPEAKER: Yes.

22 THE COURT: We did? Ma'am, could you -- would you
23 mind coming up and putting it on the record? Thank you.

24 MS. BENFEITO: Susan Benfeito, B-e-n-f-e-i-t-o.

25 THE COURT: And you're here for?

1 MS. BENFEITO: For William Delaney.

2 THE COURT: Okay, and he --

3 MS. BENFEITO: Due to an illness.

4 THE COURT: Oh, I'm sorry to hear that. And his --
5 and he represents the Municipal Worker's Union, is that
6 correct?

7 MS. BENFEITO: Yes.

8 THE COURT: Okay.

9 MS. BENFEITO: Do you need me to fill out an --

10 THE COURT: No.

11 MS. BENFEITO: Okay.

12 THE COURT: That's fine. Thank you. Anyone else?

13 (No audible response)

14 THE COURT: All right. Good morning, all.

15 ATTORNEYS: Good morning, Your Honor.

16 THE COURT: Okay. Mr. Orson?

17 MR. ORSON: Your Honor, I think it would make sense
18 to get the precautionary motion done first.

19 THE COURT: That's fine. We have two things on,
20 precautionary motion and confirmation. Mr. McGowan?

21 MR. MCGOWAN: Thank you, Your Honor. Again, Matthew
22 McGowan for the Central Falls Police and Firefighter
23 Associations, and also 108 police and firefighters in the City
24 of Central Falls who have retired.

25 We filed this motion, Judge, and we call it a

1 precautionary motion only because, I'm not sure it's needed,
2 but I felt a little bit uneasy about what might appear to be a
3 little bit of a lack of transparency in regard to fees in the
4 case because we're in a Chapter 9 case where there's not, for
5 example, a Rule 2014 motion or application to be employed.
6 There's not a Rule 2016 application for fees and the like.

7 So it was really two purposes I was trying to
8 accomplish through the precautionary motion. One, to disclose
9 to everybody what the fees were that had been incurred by us to
10 date on behalf of our work for these retirees. And also
11 because at one of the later meetings that we had with the
12 retirees we broached with them the subject of the remaining
13 fees that were owed to us, and there were many of them that
14 wanted to have our fees be paid directly from the amounts that
15 were coming from the distributions from the overall \$2.6
16 million of state appropriated funds.

17 We said, hold off. Don't do that. We're going to
18 file a motion with the Court to make it clear to everybody that
19 if that's what you would like for us to do, we're happy to do
20 that. We weren't able to get that done in June because of all
21 of the activity in regard to the plan and disclosure statement
22 and also because we're working through some logistical matters
23 about the distributions from that \$2.6 million of appropriated
24 funds.

25 There have been, Judge, to provide some background,

1 two distributions made to the retirees from that \$2.6 million
2 of appropriated funds. What we said to them is that we
3 understand the financial situation that you're in. We're
4 empathetic of that. They have told us that they appreciate
5 very much the work that we did; work that we did on a
6 discounted hourly rate, Judge. And they wanted to make sure
7 that we were being paid, and we told them that perhaps the way
8 to resolve that would be to let them get their first two
9 distributions and sort of recover financially from the cuts
10 that they've suffered during these -- during this Chapter 9
11 case -- that we would agree that we would defer the final
12 payment of our fees until what would be a third distribution of
13 that \$2.6 million appropriated fund, which would take place
14 some time in July or so of 2013.

15 The concern was that if we waited until then to file
16 a motion the information about the case would be stale, so we
17 wanted to file the motion while it's fresh in everybody's
18 minds. I then dealt with Mr. Orson, who in turn, I think,
19 dealt with Rosemary Booth Gallogly and we worked out what the
20 logistics would be under which there would be that distribution
21 that would be made, but there would be a deduction or a
22 reduction in the amounts distributed to the participating
23 retirees to pay what the amount would be of our then fees in
24 July of 2013.

25 We also agree that we would continue to keep track of

1 our time, and we kept very detailed time records, and those are
2 available for anybody to take a look at. We've given those to
3 what seems to be an informal committee of two firefighters, two
4 retired firefighters and two retired police officers who have
5 looked at our fees. They've questioned some entries that we've
6 had and there have been some adjustments in our fees, but there
7 is an informal committee that is looking at our fees and that
8 is approving our fees.

9 We'll continue with that. We'll continue to have
10 them review what our final fees would be here. And we've
11 agreed that we would get a notarized statement from each of the
12 represented retirees indicating that they're agreeable to
13 having whatever the per represented retiree amount is that
14 would be deducted or -- that would be deducted from the third
15 distribution of the 2.6 million of appropriated funds, that
16 would be redirected or the state would be authorized to
17 redirect that money through one check paid to us.

18 There are some other logistics that we talked about,
19 as well, that we would provide a schedule of what the amounts
20 would be that would be deducted from each of the checks for the
21 third distribution to these represented retirees and what the
22 cumulative amount would be of the check that would be going to
23 us.

24 So, again, we've done it for transparency. We've
25 done it for administrative convenience. And we think this is a

1 sensible way to approach what is the representative retirees,
2 and certainly our desire, as well, for us to be paid for our
3 work in the case.

4 THE COURT: All right. Any position of the debtor?

5 MR. ORSON: Your Honor, clearly, Mr. McGowan's firm
6 is taking pains to be transparent, making certain that payments
7 when made are made voluntarily or directions to make payment.
8 Under those circumstances, the City has no objection.

9 THE COURT: All right. My view of it, Mr. McGowan,
10 is that I completely appreciate the transparency and candor
11 that's evidenced by the precautionary motion. I don't think
12 that we're dealing with assets of the debtor here, and for that
13 reason -- although, certainly, anything in the Chapter 9 is new
14 ground for all of us. So I appreciate the need -- your
15 perceived need for the motion. I endorse the approach that is
16 evidenced in the motion. I don't think it needs my approval
17 for the reason that I stated.

18 MR. MCGOWAN: Okay.

19 THE COURT: I don't believe it does distribute assets
20 of the debtor. I think it distributes assets of those
21 creditors. So I -- to the extent that my approval is required
22 on the precautionary motion, I would give it. I don't think
23 it's necessary.

24 MR. MCGOWAN: Okay. You know, should I dare ask
25 whether I can prepare an order that says that?

1 THE COURT: You can try.

2 (Laughter)

3 MR. MCGOWAN: Okay. I'll give that a shot only
4 because I'm concerned in July of 2013 that somebody's going to
5 say, well, there's some perceived impediment, that we have to
6 go back to the Bankruptcy Court. I'd like to have some piece
7 of paper that says we don't need to.

8 THE COURT: That's fine.

9 MR. MCGOWAN: I'll give that a shot, Judge.

10 THE COURT: Please do.

11 MR. MCGOWAN: Thank you.

12 THE COURT: Okay. You'll run it by Mr. Orson --

13 MR. MCGOWAN: Certainly.

14 THE COURT: -- of course? Okay.

15 MR. ORSON: Good morning, Your Honor.

16 THE COURT: Good morning.

17 MR. ORSON: I believe we should move on to the
18 confirmation hearing --

19 THE COURT: One second, okay.

20 All right. I'm going to go back to Mr. McGowan for a
21 moment. I was premature in, you know, offering a ruling on
22 your motion. Because it was just filed, I'm reminded that the
23 -- there was no opportunity or an insufficient period of time
24 was allowed for any objections. So what I'm going to do is
25 establish an objection period for this motion. I think that 20

1 days will be sufficient. Failure to -- I'm sorry?

2 UNIDENTIFIED ATTORNEY: I'm sorry, Judge. I had put
3 in what the standard notice was that I think is required by the
4 local rules.

5 THE COURT: Which is 14?

6 UNIDENTIFIED ATTORNEY: Fourteen plus three for
7 mailing. So --

8 THE COURT: I'm happy to go with that. Yes.

9 UNIDENTIFIED ATTORNEY: -- that was at the foot of
10 the motion.

11 THE COURT: All right.

12 UNIDENTIFIED ATTORNEY: So --

13 THE COURT: Let's do that. Fourteen plus three,
14 okay. And assuming no objections are filed that then I'll ask
15 you to submit an order.

16 UNIDENTIFIED ATTORNEY: I will.

17 THE COURT: Okay.

18 UNIDENTIFIED ATTORNEY: Very good.

19 THE COURT: All right.

20 UNIDENTIFIED ATTORNEY: Thank you, Judge.

21 MR. GOLDBERG: Your Honor, I believe Mr. Orson's
22 about to present his -- or begin his case on the confirmation
23 hearing. I don't think there are any other represented
24 interested parties. Therefore, I ask that the president of the
25 City Council and I could be seated at respondents' table.

1 THE COURT: Any objection?

2 MR. ORSON: No objection, Your Honor.

3 THE COURT: Of course you may.

4 MR. GOLDBERG: Thank you, Your Honor.

5 THE COURT: If you could have your client identify
6 himself, please?

7 MR. GOLDBERG: Certainly.

8 MR. BENSON: My name is William Benson, Jr., and I'm
9 the City Council President in Central Falls.

10 THE COURT: Okay.

11 MR. ORSON: Your Honor, for the record, while I have
12 absolutely no objection with counsel sitting at the counsel
13 table, I am in no way waiving or conceding that they have a
14 right to object where no objection was timely filed.

15 THE COURT: Okay.

16 MR. ORSON: Your Honor, may I move on to the motion
17 to confirm the plan?

18 THE COURT: Please do.

19 MR. ORSON: I'll wait for Regina.

20 Your Honor, one year and 38 days ago the City of
21 Central Falls filed a Chapter 9 petition. The state of City
22 finances were nothing less than disastrous. The City faced a
23 structural deficit of over \$6 million on revenues of only \$16
24 million a year. That was a combined unfunded liability
25 comprised mostly of retiree health insurance and pension

1 benefits of over \$79 million.

2 Today, amazingly, we seek confirmation of a plan of
3 debt adjustments with balanced budgets for fiscal years 2012,
4 2013, 2014, 2015, 2016 and 2017, and a sustainable post
5 employment benefits, including healthcare and pension
6 liabilities.

7 While we are thrilled that the City will be returning
8 to fiscal stability and financial functionality, we do so with
9 a heavy heart. We are cognizant that our plan has required
10 tremendous sacrifice from all of the stakeholders. Taxpayers
11 of the City under the plan will be seeing four percent tax
12 hikes on an annual basis during the plan term.

13 There were 174 City employees in May of 2010 when the
14 judicial receivership was filed. Under the plan, those numbers
15 have dropped to 118. The City's retirees are seeing reductions
16 in their pensions of up to 25 percent through 2016, if you add
17 in the supplemental state pension -- payments, and then 55
18 percent after that.

19 Yet, we have been adamant to only make changes that
20 we believed were necessary and equal to the problem, and no
21 more, to limit the pain to that which was necessary to return
22 the City to fiscal stability, and not a penny more. We've done
23 our best to be open, honest, and transparent with all of the
24 stakeholders so that they had an objective means to measure and
25 understand the scope of the problem and understand the changes

1 that were necessary. We believe that is why, despite the
2 enormity of these sacrifices, of the 239 creditors that voted
3 on the plan, counting the group ballots for all of the members
4 of each group, only two voted against the plan. Looked on as a
5 percentage, more than 99 percent of the creditors that voted on
6 the plan voted to accept the plan.

7 Your Honor, we have filed with the court a memorandum
8 in support of confirmation, along with affidavits of three
9 witnesses who are sitting in the first row. If you stand
10 please? We have Tracy Peccia (phonetic), who is my legal
11 assistant and was -- assisted me in the tabulation of votes.
12 We have Gayle Corrigan who is the receiver's chief of staff and
13 principally responsible for putting together this six-year
14 financial projection. And we have William Dolan, III, who is
15 our witness to opine on the reasonableness of fees.
16 All of them are here and available for examination to the
17 extent it's determined necessary. Your Honor --

18 THE COURT: Thank you.

19 MR. ORSON: -- I am prepared to summarize for the
20 Court all of the pertinent standards that the City must
21 demonstrate to the Court's satisfaction, as the Court must make
22 an independent judgment notwithstanding the fact that no
23 objections were filed. I'm prepared to summarize those, or if
24 the Court prefers, they're all set forth in the confirmation
25 memo.

1 THE COURT: I'm going to take the affidavits as filed
2 and your summary of the confirmation standards and the -- and
3 your client's compliance with confirmation standards as an
4 offer of proof. I'm happy to hear that the witnesses who have
5 submitted affidavits are here and available for cross
6 examination. I'll offer anyone that opportunity. Although, I
7 understand there have been no objections. I still would allow
8 them to be cross examined if anyone wishes to do so. But I
9 will allow -- I'll take your assertions as an offer of proof as
10 to what the evidence would show in the event we were to accept
11 evidence, live evidence, today.

12 MR. ORSON: Okay. And I'm saying, too, I understand
13 you'd like an oral offer of proof in addition to the
14 confirmation memo?

15 THE COURT: Correct.

16 MR. ORSON: Okay.

17 THE COURT: A summary. I don't --

18 MR. ORSON: A summary.

19 THE COURT: That's fine.

20 MR. ORSON: I understand that. And by the way, just
21 for the record, Your Honor, Bankruptcy Rule 3020 provides that
22 where there is no objection the Court does not -- is not
23 required to take evidence, although the Court has discretion to
24 do so.

25 THE COURT: Under these circumstances, again, I'll

1 accept the affidavits as -- and your assertions, as an offer of
2 proof and allow those witnesses to be cross examined if anyone
3 wishes to do so.

4 MR. ORSON: Thank you, Your Honor.

5 THE COURT: Your Honor, Section 943 of the bankruptcy
6 code governs the standards for confirmation in a Chapter 9
7 case. Under Section 943(b) a Court shall confirm a case if the
8 City has satisfied the applicable confirmation requirements by
9 a preponderance of the evidence. 943(b) identifies seven
10 confirmation requirements which must be met. We believe we
11 have met each of those.

12 Those requirements are, and I will summarize our
13 basis why we believe we've satisfied them, after I identify
14 them is, one, the plan must comply with the provisions of
15 Section 901 of the code. Section 901 of the code is the
16 section which incorporates by reference other sections of the
17 code from other chapters. Two, the plan must comply with the
18 provisions of Chapter 9. Three, the plan must disclose amounts
19 to be paid by the City for services or expenses, and they must
20 be reasonable. Four, the plan provisions must not violate
21 non-bankruptcy law. Five, all allowed administrative expenses
22 must be paid on the effective date or such other date as made
23 -- be agreed to by the holder of an administrative claim. Six,
24 all regulatory and electoral approvals required under
25 non-bankruptcy law for actions to be taken must be obtained.

1 And seven, the claim -- excuse me -- the plan must be in the
2 best interest of creditors and must be feasible.

3 First, Your Honor, the City contends that the plan
4 complies with the provisions of Section 901. As I indicated,
5 Section 901 incorporates by reference numerous other bankruptcy
6 code sections. The sections the Court must pay attention to
7 here are those sections which go to confirmation standards
8 under Chapter 11.

9 I'll summarize what we believe to be the most
10 important of those standards under Chapter 11 which are
11 incorporated by reference under Section 901. It should be
12 noted that Chapter -- that there are other sections which are
13 permissive but not required. Since they are -- while we have
14 added such sections such as providing for rejection of
15 executory contracts, et cetera, but since those are not
16 required for plan confirmation I will not be summarizing those.

17 First, Your Honor, Section 1122, incorporated under
18 Section 901, governs classifications of claims and interests.
19 Under Section 1122 a plan proponent has broad discretion to
20 adopt classification schemes in a plan provided that the claims
21 within each class are substantially similar.

22 We contend, Your Honor, that the claims within each
23 of the 19 classes in the City's plan are substantially similar.
24 I will explain.

25 First, Your Honor, there are seven classes which are

1 single creditor classes, and therefore, ipso facto, they must
2 be substantially similar. Those are Classes 1 to 5, each of
3 which has a single series of bonds, and since they are secured
4 claims under Rhode Island's Municipal Lien statute, they each
5 get separate classification.

6 There's also Class 6, which is a rescue lease. And
7 Class 19, which is the State of Rhode Island. Classes 7
8 through 12 -- excuse me -- Classes 8 through 12 -- no, I was
9 correct the first time. Classes 7 through 12 are all classes
10 which address retiree claims. We contend that within each of
11 those classes the claims are substantially similar.

12 Class 7 is comprised of claims for changes in
13 retiree's healthcare benefits based upon the City's new
14 healthcare plan, and therefore those claims are substantially
15 similar. Class 8 is comprised of claims for retirees who
16 receive annual pension benefits of less than \$10,000, and
17 therefore those claims, we contend, are substantially similar.

18 Class 9 is comprised of retiree claims for retirees
19 whose annual pension benefit under the City's new pension plan
20 are reduced to \$10,000 under -- will be reduced to \$10,000
21 under the plan, and therefore those claims are substantially
22 similar. Those are all claims in which the claimants would
23 have done worse if they were reduced in full, and so we only --
24 since we had as a circuit breaker that no creditor would
25 receive less than \$10,000, those were -- had such a small

1 margin above \$10,000 that that's how those were calculated.

2 Class 10 is comprised of retirees whose annual
3 pension benefits under Central Falls' new pension plans are
4 reduced by 55 percent, and therefore the claims in those
5 classes are substantially similar.

6 Class 11 is comprised of retirees of the City whose
7 annual pension benefits under the City's new pension plan are
8 reduced by less than 55 percent, and therefore those claims are
9 substantially similar.

10 As the Court is aware, the main factor in determining
11 the percentage by which retiree benefits are reduced is what's
12 known as an early retirement factor, and those are consistent
13 -- those calculations are consistent.

14 Class 12 is comprised of claims of retirees who have
15 accidental disability retirement, and therefore those claims
16 are substantially similar.

17 Classes 13 to 15 are the classes of the City
18 employees. And with each of those classes, 13, 14, and 15,
19 they each -- Class 13, 14, and 15 are each for a separate union
20 and they are all treated under an agreed upon new collective
21 bargaining agreement. So we contend Classes 13 to 15, those
22 claims are substantially similar.

23 Class 16 is comprised of the general unsecured --
24 general unsecured claims in amounts over \$5,000 with a right of
25 an election to reduce to \$5,000, and therefore, we contend,

1 those claims are substantially similar.

2 Class 17 is what's often referred to as a convenience
3 class claims. They're claims in which are of \$5,000 or less,
4 and therefore, we contend, those -- the claims in that class
5 are substantially similar.

6 Class 18 is comprised of claims for individuals or
7 entities who overpaid their property taxes to the City, and
8 therefore we contend those claims are substantially similar.

9 The second section which is incorporated into Chapter
10 9 that I will address, is Section 1123, and that governs what
11 are the mandatory contents of a plan. Section 1123(a) sets
12 forth seven requirements which every Chapter 11 plan must
13 incorporate. Five of those are incorporated into Chapter 9. I
14 will address those and explain how with each of those, those
15 were incorporated as contents into our plan.

16 Section 1123(a)(1) requires that the plan designate
17 classes of claims. Our plan designates the classes of claims.
18 Section 1123(a)(2) requires that the plan list all unimpaired
19 claims. Our plan lists all classes of unimpaired claims.
20 Specifically, it provides that Classes 1 to 5, the bond claims,
21 are unimpaired. Class 8, the annual pension benefits of
22 \$10,000 or less are unimpaired, and Class 18, the class of
23 claims for overpaid property taxes, are unimpaired.

24 Section 1123(a)(3) requires that the plan describe
25 the treatment of impaired classes.

1 THE COURT: Remind me of how you're treating the
2 attorney fee costs that might have accrued with respect --
3 under the -- with respect to the bondholders.

4 MR. ORSON: What we did with respect to the
5 bondholders, Your Honor, is we included in their treatment that
6 those bondholders could have a -- to the extent they had a
7 claim, they would be treated as Class 16 unsecured claims and
8 they would file proofs of claim; that is, arguably, accepting
9 lesser treatment than they may have been entitled to as an
10 administrative claim. An argument could be made that they did
11 so.

12 The code allows creditors to accept lesser treatment
13 than they are required. No bondholder objected to the plan on
14 those grounds, and therefore the holders of Class 16 claims
15 will do better as a result, because if we were required to pay
16 the administrative -- the legal fees costs of bondholders
17 dollar for dollar as administrative claims, we would have had
18 to amended -- amend our plan and have less money available for
19 the general unsecured creditors.

20 Section 11 -- may I go on, Your Honor?

21 THE COURT: Right. So the upshot is that you
22 received no objections from any bondholder objecting to your
23 characterization under this section of their claims as
24 unimpaired?

25 MR. ORSON: That is correct. There were notices

1 filed by certain classes of -- bond classes. Making note for
2 the record, that they did not believe that was proper
3 treatment, but that their claims are being resolved in a manner
4 in which they're satisfied.

5 THE COURT: Okay. And they -- you -- they didn't
6 vote, correct? They are --

7 MR. ORSON: They --

8 THE COURT: -- deemed to have accepted?

9 MR. ORSON: That is correct. They're unimpaired.

10 THE COURT: Okay.

11 MR. ORSON: But they did have right to object.

12 THE COURT: I understand.

13 MR. ORSON: Your Honor, the -- may I move on?

14 THE COURT: Yes, please do.

15 MR. ORSON: Your Honor, Section 1123(a)(3) requires
16 that the plan describe the treatment of impaired claims. Our
17 plan describes the treatment of each class of impaired claims.
18 Specifically, our -- the first class of impaired claims is
19 Class 6, the rescue lease. The plan describes the changes to
20 the rescue lease that were agreed to by the parties. It's a
21 more favorable treatment to the City. It extends out the
22 payment and lowers the interest rate, so that impaired class,
23 the treatment was properly described.

24 Class 7 describes changes to the retiree health
25 insurance plan, which is the basis of the Class 7 claims.

1 Classes 9 through 12 describe changes to retiree pension
2 claims, both as a whole and then more specifically, as to each
3 individual retiree, what they will be receiving as a benefit.
4 Because the calculations were so complicated, we felt to do
5 full disclosure each retiree had to see their name and
6 understand what they would be receiving in order to make an
7 appropriate decision.

8 Classes 13 to 15, which are the union claims, all of
9 those, what their treatment is, is the treatment under the new
10 collective bargaining agreements that they negotiated with the
11 City and were approved by the Court last January, and so there
12 is a description of each of those impaired claims.

13 Class 16 is the class of general unsecured creditors
14 with claims in excess of \$5,000. And the plan describes how
15 they will receive a pro rata amount of \$600,000 to be paid to
16 both the -- to be paid in the entirety to the unsecured
17 creditors, both Class 16 and Class 17. That they will be paid
18 in installments over a period of five years and they will be
19 paid up to a cap of 45 percent, and that if the -- if after
20 objections to claims are filed it turns out that the full
21 \$600,000 is not exhausted, then the remaining money would go
22 into the City's capital account.

23 Class 17 is the class of convenience claims general
24 unsecured claims, and the plan describes how they will receive
25 a fixed payment of 35 percent of their allowed claim during the

1 first year of the plan, so their claims are described.

2 Finally, Your Honor, Class 19, the claim of the State
3 of Rhode Island, describes how the state will be reimbursed for
4 its professional fees that it is has incurred both in this case
5 and prior to the case, both -- and with those payments
6 occurring both during and after the plan term.

7 It also describes how a trust is being established
8 under the plan to collect amounts that are in suit against the
9 elected officials and how payments would be divided between the
10 trustee for his or her collection costs with the remainder
11 going to the State and being accounted as a credit against the
12 amount that the City owes the State.

13 Section 1123(a)(4) requires that the plan --

14 THE COURT: Let's go back to the state for one
15 second.

16 MR. ORSON: Yes.

17 THE COURT: The professional fees that provide the
18 basis for the State's claim have been disclosed, correct?

19 MR. ORSON: They have been.

20 THE COURT: All right. And Mr. Dolan has opined that
21 those are reasonable?

22 MR. ORSON: He has.

23 THE COURT: Those are among those professional fees
24 that he reviewed?

25 MR. ORSON: He has. He --

1 THE COURT: All right.

2 MR. ORSON: His opinion, as you imply, is broader
3 because it's not just attorney fees. It's also other
4 professionals.

5 THE COURT: Okay.

6 MR. ORSON: Should I move on, Your Honor?

7 THE COURT: Please do.

8 MR. ORSON: Section 1123(a)(4) requires that the plan
9 provide the same treatment for each claim within each class.
10 The City submits that it has satisfied that requirement.
11 Again, with respect to the single creditor classes, 1 through
12 5, 6 and 19, we submit that ipso facto the treatment has to be
13 the same because there's only one creditor.

14 The plan also describes how each of the retiree
15 classes, 7 through 12, will receive the same treatment because
16 the Class 7 claims are based upon the City's new health plan,
17 and Classes 8 through 12 are based upon the City's new pension
18 plan. There are no -- they do not distinguish between any
19 claims. All of them are subject to that and therefore we
20 contend that the -- they provide for the same treatment within
21 the class.

22 Similarly, Your Honor, with respect to the union
23 claims, those claims are based upon the collective bargaining
24 agreements that were agreed to in November and approved by the
25 Court. That is their treatment, is how they are treated under

1 those collective bargaining agreements. No creditor is singled
2 out for different treatment, and therefore we contend that the
3 creditors in those classes receive the same treatment.

4 As I previously explained, Your Honor, Class 16, the
5 class of general unsecured claims above \$5,000, all will be
6 receiving the same pro rata payment over the same period of
7 time, and so we contend that is the same treatment.

8 THE COURT: Capped at 45 percent of the claim?

9 MR. ORSON: Capped at 45 percent and it doesn't
10 distinguish between any creditor. No creditor will get more.
11 No creditor will get less. No creditor's payment will be
12 advanced. All creditors are -- within that class, are treated
13 similarly.

14 THE COURT: And how did you settle on the 45 percent?

15 MR. ORSON: The 45 percent, Your Honor, was a -- the
16 two matters that determined the 45 percent number, one is we
17 had to look at what the dollars were that would be available to
18 pay the unsecured creditors. We also felt, Your Honor, as a
19 matter of equity, given the fact that the retirees were taking
20 -- many of the retirees will get paid no more than 45 percent
21 of their amounts. That it would be unfair to treat unsecured
22 creditors in a way that was better than treating the retirees.

23 The retirees, Your Honor, as you know, are suffering
24 extraordinary pain here and we were very cognizant not to put a
25 -- another unsecured creditor in a better position than them.

1 THE COURT: So they're being treated the same as they
2 would be treated if they were simply unsecured creditors?

3 MR. ORSON: The retirees?

4 THE COURT: Yes.

5 MR. ORSON: The retirees are -- the nature of their
6 claims is not the same as a vendor claim, so I can't say
7 there's exact same treatment, which is why the code allows us
8 to put them into separate classes. You simply -- their claims
9 are a forevermore claim. This is what they will be receiving
10 annually during the plan term and beyond the plan horizon.

11 And so there's really no way to say that a vendor who
12 delivered goods and was not paid, whether their treatment is
13 the same as retirees. It's apples and oranges. It's
14 uncomparable, and it's why they were separately classified.

15 THE COURT: Okay. I understand.

16 MR. ORSON: So I was explaining that the Class 16 are
17 treated the same. The Class 17 similarly, which are the
18 convenience claims. As we explained, they will each get --
19 each receive a distribution in the same percentage, 35 percent,
20 at the same time, within a plan year, and so we contend that
21 they are receiving the same treatments. Class 18 is
22 unimpaired, so by nature they are also receiving the same
23 payments.

24 The next Chapter 11 provision which is mandatory to
25 Chapter 9 is Section 1123(a)(5), and that requires that the

1 plan include adequate means for implementation. We believe the
2 plan does set forth adequate means for its implementation in
3 Section 7 of the plan.

4 The means of plan implementation is adequate because
5 the fundamental underpinning of the implementation of this plan
6 is the detailed six-year financial projection. That projection
7 provides a framework for sustainable operations of the City in
8 balanced budgets each fiscal year through fiscal year ending
9 June 30, 2017.

10 The specific data projections and assumptions in the
11 six-year projection are explained in detail, exhaustive detail,
12 in the executive summary of the six-year financial plan
13 attached to the plan as Exhibit B. Gayle Corrigan, who is here
14 and I introduced, was really the architect in constructing the
15 six-year plan. And she has submitted an affidavit contending
16 that the plan is feasible, and if the six-year plan is feasible
17 then the implementation of the plan, we believe, is feasible.

18 There are other plan implementation terms that are
19 included in the plan. I won't go through all, but I will -- I
20 do want to bring to the Court's attention that plan
21 implementation also includes incorporation by reference of the
22 new CBA's and the settlement and release agreement with the
23 retirees. Those are the Chapter 11 plan -- mandatory Chapter
24 11 provisions incorporated by reference into Chapter 9.

25 We'll next move on to another requirement which is

1 that the plan complies with the requirements under Chapter 9.
2 The -- I'm sorry, Your Honor. I missed two Chapter 11
3 provisions that I meant to incorporate, and so I moved on too
4 quickly. Section -- there are two more Chapter 11 provisions.
5 1129(a)(2) requires that the plan comply with applicable
6 provisions of Title 11.

7 The City submits that it has complied with all such
8 provisions. If you read the cases on this provision, the cases
9 make it clear that the principal concern here is that there
10 be a demonstration that the City has complied with the
11 disclosure requirements in 1125.

12 Our fourth amended disclosure statement was approved
13 by the Court and all notice and service requirements have been
14 satisfied, as is demonstrated by certificates of service that
15 we have filed with the court.

16 Section 1129(a)(3) requires that the plan has been
17 proposed in good faith and not by any means forbidden by law.
18 We contend that the plan satisfies those requirements. The
19 determination of what constitutes good faith is, according to
20 the cases, is based on the totality of the circumstances in a
21 particular case.

22 We submit that the plan has been proposed in good
23 faith and we have satisfied those standards. We believe that
24 the Court can take judicial notice that through the City's
25 actions before this Court the City has demonstrated that its

1 primary goal in filing this Chapter 9 case and in filing the
2 plan has been to achieve a necessary restructuring of the
3 City's then unsustainable fiscal obligations.

4 We also believe that the City's actions have
5 demonstrated that it has done its best to treat creditors
6 fairly given the extremely difficult circumstances. We assert,
7 Your Honor, as further demonstration to both of these
8 submissions is that nearly every dispute in this case has been
9 resolved by open and transparent negotiation rather than
10 through litigation.

11 Another demonstration of these submissions is the
12 fact that not a single creditor has objected to the plan.
13 Finally, Your Honor, another demonstration of these submissions
14 is the fact, as indicated before, that of the 239 ballots filed
15 in the case, counting the group ballots for the unions as votes
16 for each members of each of those classes, 237 creditors voted
17 to accept the plan, while only two creditors voted not to
18 accept the plan.

19 Next, Your Honor, as we explained in our brief,
20 Section 1129(a)(6) --

21 THE COURT: Let's talk about those two creditors.

22 MR. ORSON: Yes.

23 THE COURT: So in the entire constellation of
24 creditors, two creditors voted no?

25 MR. ORSON: Correct.

1 THE COURT: All right. What class were they in?

2 MR. ORSON: There was one that was a Class 16
3 creditor that had a claim for -- do you remember what it was?

4 UNIDENTIFIED SPEAKER: It's a retirement claim for
5 accrued sick time.

6 MR. ORSON: Retiree claim for accrued sick time.

7 THE COURT: I'm sorry. So that's Class 16?

8 MR. ORSON: Correct.

9 THE COURT: That's the -- that a general unsecured
10 claimant.

11 MR. ORSON: Yes. There are retirees --

12 THE COURT: Accrued sick time, okay.

13 MR. ORSON: -- that not part of their collective
14 bargaining claim, there are a number of claims of employees for
15 independent claims which are classified in Class 16. The other
16 claim was a claim of a retiree. Correct?

17 UNIDENTIFIED SPEAKER: Class 12.

18 MR. ORSON: Part of -- what was it?

19 UNIDENTIFIED SPEAKER: It was Class 12.

20 MR. ORSON: -- Class 12. We submit, Your Honor, that
21 that retiree did not have the contractual right to not vote to
22 accept the plan. However, given its irrelevance in the
23 calculation required under Chapter 11 and incorporated in
24 Chapter 9, given the fact that it did not in any way affect the
25 acceptance of that class, we are not seeking to enforce that

1 creditor to accept the plan.

2 THE COURT: All right. And in neither instance did
3 that -- did a creditor who voted no object to the confirmation
4 of this plan, right?

5 MR. ORSON: That is correct, Your Honor.

6 THE COURT: All right. And no way to read their
7 submissions as an objection, it was just a no?

8 UNIDENTIFIED SPEAKER: It was just a ballot, Your
9 Honor.

10 THE COURT: Just a ballot, a negative ballot. Okay.

11 MR. ORSON: Should I move on, Your Honor?

12 THE COURT: Yes. Please do.

13 MR. ORSON: Your Honor, as we explained in our brief,
14 Section 1129(a)(6) requiring that the City not be subject to
15 the jurisdiction of any governmental regulatory commission
16 regarding its rates simply does not apply here.

17 Section 1129(a)(8) requires that the plan be accepted
18 by all classes whose acceptance is required. As we have
19 discussed, all of the classes have vote -- all of the impaired
20 classes have voted to accept the plan. And just for the
21 record, Classes 6, 7, 9, 10, 11, 13, 14, 15, 17 and 19, all
22 impaired classes, voted unanimously to accept. And as we just
23 discussed, there was one creditor in Class 6 and one creditor
24 in Class 16 that did not vote. There were a total of 43 votes
25 in Class 12 and a total of 6 votes in Class 16.

1 THE COURT: All right. I think you misspoke. I
2 think it was Classes 12 and 16 --

3 MR. ORSON: If I didn't say that, you're right.

4 THE COURT: Okay.

5 MR. ORSON: Classes --

6 THE COURT: Class -- you said 6. That --

7 MR. ORSON: Oh, I --

8 THE COURT: My concern there would be there's a --
9 that's a single creditor class.

10 MR. ORSON: I did misspeak, Your Honor.

11 THE COURT: Okay. All right, the record's clear.

12 MR. ORSON: Your Honor, the other classes, 1, 2, 3,
13 5, 8 and 18 are unimpaired, and, thus, their acceptance is
14 deemed. Next, Your Honor, Section 1129(a)(10) only matters if
15 there is a class of claim that has voted not to accept the
16 plan. That is not the case here.

17 That completes the analysis of plan confirmation
18 provisions in Chapter 11 incorporated into Chapter 9 under
19 Section 901. So now I will move on to the Section 943
20 requirements that are not incorporation requirements.

21 Under Section 943(b) all amounts to be paid by the
22 City for services and expenses must be fully disclosed and
23 reasonable. Exhibit 15 to our plan was a full disclosure, not
24 only of the fees and expenses of the professionals from the
25 date of bankruptcy forward, but we included -- so there would

1 be full disclosure given the public nature of this proceeding
2 -- the fees and expenses incurred from the beginning of the
3 receivership, which was July 16, 2010.

4 We believe that the reasonableness of these fees is
5 demonstrated by the affidavit of William Dolan who, again, is
6 here in court and will make himself available to any sort of
7 cross examination. May I move on, Your Honor?

8 THE COURT: Yes. Please do.

9 MR. ORSON: Section -- the next Section in 943(b) is
10 943(b)(4) and it prevents confirmation of any Chapter 9 plan
11 that requires a debtor to take any action prohibited by law.
12 We submit that there are no acts required of the City in the
13 plan which require it to violate any laws, ordinances,
14 regulations following confirmation of the plan.

15 The next section in Section 943(b) is --

16 THE COURT: Let me raise a point. I'll come back on
17 a couple of these, but I'll pause here on 943(a) -- (b)(4) not
18 prohibited by law. So this plan obligates elected officials,
19 the mayor and the -- every member of the City Council, to
20 quarterly and then annually confirm that the -- and attest --
21 that the City is operating within the budget confines that are
22 stated in the plan. That's permissible under state law?

23 MR. ORSON: We are not familiar with any law which
24 prohibits that, Your Honor.

25 THE COURT: All right. And you've received no

1 objection on that basis?

2 MR. ORSON: We have received no objection on that
3 basis.

4 THE COURT: Okay.

5 MR. ORSON: Moving on, Your Honor --

6 THE COURT: Please do.

7 MR. ORSON: -- Section 940 -- 943(b)(5) provides for
8 payments -- payment of administrative claims. Section
9 943(b)(5) provides that a plan cannot be confirmed unless it
10 provides the payment in full of all claims entitled to
11 administrative priority.

12 Administrative claims, under Section 503, has a
13 meaning in a Chapter 9 case that is different from that in a
14 case under Chapter 11. Section 503(b)(1)(A) provides
15 administrative priority for the actual necessary costs of
16 preserving the estate. However, in a Chapter 11 case such
17 claims include post-petition operating expenses as well as
18 other post-petition obligations of the debtor necessary to
19 preserve the estate.

20 However, there is no estate in a Chapter 9 case.
21 Thus, there can be no necessary cost of preserving the estate
22 in a case where no estate exists. Accordingly, no claim is
23 entitled to administrative expense priority under Section
24 503(b)(1)(A) in this case.

25 Regardless of the Court's thought on this law, the

1 Court does not need to address this issue because no holder of
2 a claim -- of an administrative claim has objected to the plan
3 or sought any type of priority that is not provided in the
4 plan.

5 THE COURT: What's the status of what we would refer
6 to as administrative claims? My concern here -- and I'm sure
7 you've -- I know you've thought of this and dealt with it, and
8 I think maybe your statement obviates the need for any concern
9 about it -- but what is the meaning of (b)(5) in Chapter 9 if,
10 as you say -- and I am familiar with the OTB case of, I think,
11 Judge Peck in the Southern District of New York that deals
12 somewhat with this issue -- what is the meaning of that
13 provision? And, by the way, his determination, I think, is in
14 accord with your analysis. Notwithstanding that, what is the
15 meaning of that provision? I'm not used to ignoring
16 congressional statements of law in the code and I don't know
17 what this means if it doesn't mean there are administrative
18 claims.

19 MR. ORSON: I can give you a very simple answer, Your
20 Honor. I don't know either. I really don't.

21 THE COURT: But, in any event, we don't have any --

22 MR. ORSON: But --

23 THE COURT: -- problem here.

24 MR. ORSON: But because we don't have a problem, it's
25 not relevant to this case. It would be a intellectual exercise

1 that I believe is not necessary here.

2 THE COURT: All right. Well, we're not looking for
3 exercise. All right.

4 MR. ORSON: May I move on, Your Honor?

5 THE COURT: Please do.

6 MR. ORSON: Section 943(b)(6) requires that a city
7 has obtained any necessary regulatory or electoral approval
8 necessary under applicable non-bankruptcy law. There's nothing
9 in the plan that requires regulatory or electoral approval.

10 Section 943(b)(7) requires that the plan be two
11 things; (1) in the best interest of creditors, and (2) it must
12 be feasible. I'll address both of these separately.

13 The best interest test has been described as both a
14 floor requiring a reasonable effort at payment of creditors by
15 the municipal debtor, while the feasibility requirement has
16 been described as a corresponding ceiling which prevents the
17 Chapter 9 debtor from promising more than it can deliver.

18 We contend, Your Honor, first, that the plan is in
19 the best interest of the City's creditors. The best interest
20 of creditors requirement of Section 943(b)(7) is generally
21 regarded as requiring that a proposed plan provide a better
22 alternative for creditors than what they have already.

23 The City submits, Your Honor, that the plan provides
24 the City's creditors with recoveries greater than they would
25 obtain outside of the bankruptcy case. The creditors,

1 undoubtedly, recognized this or else they would have voted
2 against the plan. Instead, the plan is a -- almost a 99
3 percent consensual plan achieved at arm's length -- after arm's
4 length negotiations between well represented parties. The
5 City's three labor unions all struck new collective bargaining
6 agreements.

7 The City's retirees, who are really taking the most
8 difficult reductions in this case, also benefit by the City's
9 adoption of this plan because it provides a basis under which
10 their pension plan, we believe, becomes sustainable.

11 The alternative here, Your Honor, would be for the
12 City to do nothing and to restrain a structural deficit of \$6
13 million. And as we had explained very early in the case, if no
14 actions were taken we -- the pension plans would have simply
15 run out of money. That was the alternative. There would have
16 been no checks. Central Falls would have been the Prichard
17 (phonetic) of Rhode Island.

18 Thus, Your Honor, we contend that the alternative we
19 provide in our plan is better than the alternative of doing
20 nothing. We know of no other alternatives that we consider to
21 be realistic, sensible. And, frankly, we asked everyone we
22 could for their input so that we would incorporate as many
23 ideas as we could without ever going away from our fundamental
24 goal, which was to emerge from bankruptcy with five years
25 balanced budgets and a sustainable pension plan and healthcare

1 insurance for retirees.

2 We also submit, Your Honor, that the plan is
3 feasible. The feasibility standard is met through a
4 demonstration of the City's ability to make the payments
5 required under the plan and maintain post-confirmation
6 operations as necessary. As demonstrated in the affidavit of
7 Gayle Corrigan, the six-year financial projection and the
8 agreements between the City and its creditors represent just
9 the sort of balancing that the feasibility test was designed by
10 Congress to achieve.

11 Moreover, the underpinning of the six-year plan was
12 set out in extraordinary detail in the executive summary. And
13 it demonstrates that the -- that any assumptions that were made
14 were conservative assumptions. Whenever we could use
15 historical data in order to create a line item for revenues or
16 expenses we would -- we used historical data. And many, if not
17 most of the payments, are payments that come out of the
18 information in the new collective bargaining agreements and the
19 settlement and release agreement which run for the plan term.

20 Your Honor, one of the things I just want to state in
21 the record is -- and I've stated this before and I've stated it
22 -- the City has stated it in its papers -- is that we do not
23 look at the six-year projection as a model which every line
24 item is required to be adhered to with particularity. That
25 simply would ignore the realities in the fluidity of how city

1 governments works.

2 The example I've used before, and I'll use again
3 right now, is saying 2015 there is more snow than could be
4 projected, and therefore the City has to keep the streets
5 clean, but the allocation is not enough in the City budget in
6 order to pay for snow removal. We are not saying that the
7 budget must be adhered to and not a penny more. What we are
8 saying is that as line items change, in order to address the
9 problems that happen on a day-to-day basis, the City must be
10 required to make up for those changes.

11 So, for example, in my example of snow removal, in
12 the event in a given year more money must be allocated for snow
13 removal, then the City must find either additional revenues or
14 additional expenses so that the budget remains in balance. It
15 is that, that we seek to oversee; not just we. And by the way,
16 one of the reasons why we put these provisions in was a direct
17 response to the unions and to others who came to us and said,
18 this is all well and good, but what happens when you leave if
19 the elected officials don't abide by the plan? We -- in order
20 for us to come to agreements, we got to know that you're going
21 to keep your side of the bargain.

22 A plan is a contract. It's a contract between the
23 City and its creditors. And the City has to have its feet held
24 to the fire to uphold its side of the bargain. It is -- that
25 is why in our plan we provide the Court with the continuing

1 jurisdiction so that if the plan -- the City goes out of
2 balance, we have the right to seek specific performance to
3 require the City to go into balance. The creditors who voted
4 in this plan, who made sacrifices, deserve that.

5 Getting back to feasibility, Your Honor. We believe
6 the six-year projection is our main proof of feasibility. And
7 we have, as I indicated, Ms. Corrigan here, subject to
8 examination with respect to the six-year projection or similar
9 type of economic issues, should anyone have them, relative to
10 feasibility.

11 Your Honor, that concludes my --

12 THE COURT: I have a question and an observation
13 about this aspect of your proof. First is the observation.
14 Although 99 percent of bankruptcy lawyers would come here and
15 say just what you said about the plan being a contract, and
16 there is indeed some law out there that perhaps would support
17 that notion. It is not my view.

18 My view is that the plan is construed as a contract.
19 There's a difference. It is not truly a contract. Not
20 everyone has signed on to it as an independent negotiation
21 would occur. But I would construe it as a contract in the even
22 I'm ever called upon to interpret the terms of that of the
23 plan. It's a distinction that perhaps has a difference, I want
24 it to be known. I don't endorse the statement in the plan, and
25 will not repeat it in a confirmation order, that a plan is a

1 contract. Again, it may be in most cases a distinction without
2 a difference, but it may have a difference, so I don't want it
3 to be left unsaid.

4 Secondly, I have a question, and that is I completely
5 agree with your presentation and your hypothetical situation
6 concerning snow removal and its that in the event there is a --
7 one of the line items in the projection turns out to be wrong,
8 to low in that instance because of a bad winter, that this
9 binds the City to -- and the City's -- and those operating the
10 city to balance the budget through some adjustment. That's the
11 give and take that occurs. And it's a projection, after all.
12 That's all we can ever deal with. We can't know the future.
13 So in every Chapter 11 case, indeed in every Chapter 13 case,
14 we're expecting life to -- it's our projection. No better way
15 to say it.

16 I have one big question concerning the budget and
17 that is, has Ms. Corrigan taken into account any potential
18 change in the State's reimbursement or assumption of the
19 responsibility for the school system, and if that were to
20 change in two years, three years, four years, could be a rather
21 substantial number, what is her assumption concerning the
22 school budget?

23 MR. ORSON: May I take a second, Your Honor?

24 THE COURT: Sure.

25 MR. ORSON: Your honor, the six-year projection does

1 not take into consideration the possibility that the current
2 structure of the school system; that being, that the school
3 system is part of the State, may change. And this could come
4 about in many different ways. The State could conceivably pass
5 -- make changes so that the school system is part of the City
6 and that the City would therefore have different
7 responsibilities. The State could require the City to make
8 payments. There are numerable potential hypotheticals as to
9 how that could occur.

10 If that were to occur there are surpluses that are
11 built into the budget and that may be one area where funds
12 could be found to meet the financial situation. While we have
13 no crystal ball, there's nothing that leads us to believe that
14 there would be changes made in a way that would create the type
15 of pressure on Central Falls that would be difficult for the
16 City to observe -- absorb.

17 I can't though -- I'm not speaking in doing so saying
18 that what the State will or will not do. I have no authority
19 to do that. And those are discussions, really, with a
20 different department of the State. The Department of
21 Education.

22 What would have to happen if that curve ball was
23 thrown or another curve ball of substantial fiscal consequence
24 was thrown is the City would have to find a way to make
25 appropriate changes to keep the plan in balance, to keep the

1 annual payments in balance.

2 And by the way, Judge, this is not going to be easy.
3 This plan is very, very tight. We -- our task here was an
4 incredibly difficult task. We were told that the City simply
5 could not operate as a separated city. There was a lot of talk
6 early on that the only way the City can operate is merged into
7 another city, but we have come up with a feasible plan and it
8 addresses today's realities. It doesn't address any -- all of
9 tomorrow's possibilities. That's all we can do right now, Your
10 Honor.

11 THE COURT: All right. So her -- Ms. Corrigan would
12 testify that it is her assumption that the State will continue
13 to fund the schools during the plan period?

14 MR. ORSON: That is correct.

15 THE COURT: That's her assumption?

16 MR. ORSON: That is correct.

17 THE COURT: And her assumption is based on, I take
18 from what you've said, recent history? Maybe not even so
19 recent history, it's been a number of years, correct --

20 MR. ORSON: It's been --

21 THE COURT: -- that the State has assumed this
22 burden?

23 MR. ORSON: -- since, I think, 1991. But there --
24 that the State has operated the schools. At least that's what
25 the Court's finding was.

1 THE COURT: Right. All right.

2 MR. ORSON: I do want to say one thing, Judge. There
3 is an area where it's possible that additional savings can be
4 had. There are lots of areas. We're not done trying to find
5 ways to improve the finances. Things, such as shared services,
6 which the governor has a task force working extremely hard on
7 finding savings through shared services, not just for Central
8 Falls, but throughout the state. There are lots of initiatives
9 that are in process.

10 We, in our plan, attempted to be as conservative as
11 possible. We did not want to build into the plan possibilities
12 that we did not have a reasonable basis to believe would occur.

13 THE COURT: I mean, that's a projection. I
14 understand that. I mean, it wouldn't be my job. Especially,
15 in the circumstances where there are no objections in my view,
16 but I still have an independent obligation to ensure that,
17 among other things, that this plan is feasible, is to consider
18 not whether a meteor may hit Central Falls. It's not going to
19 happen. But the school system is there and its budget dwarfs
20 the budget of the City in -- as I recall. And -- but I accept
21 what your statement on her behalf, on Ms. Corrigan's behalf,
22 with respect to the school budget and her expectation that the
23 State will continue to fund the schools in Central Falls during
24 this plan period. And if anyone wishes to examine her on that
25 issue, on that assumption, they may do so. But right now it's

1 uncontested. Okay.

2 MR. ORSON: Your Honor, that concludes my summary of
3 the mandatory provisions that the Court must make independent
4 judgments on in order to confirm the plan. And therefore, Your
5 Honor, we submit that the plan complies with the -- with
6 Section 943 and that the Court should confirm the plan.

7 THE COURT: All right. I have a few questions.

8 MR. ORSON: Yes, Your Honor.

9 THE COURT: Most of them revolve around what's going
10 to happen now upon confirmation and the role of this Court as
11 opposed to other -- another forum. The plan gives this Court
12 exclusive jurisdiction over plan enforcement and I'm -- the
13 code speaks of this issue at 945. It talks in terms of the
14 continuing jurisdiction of the Bankruptcy Court and is a pretty
15 open-ended concept in 945(a) that the Court may retain
16 jurisdiction for such period of time as is necessary for the
17 successful implementation of the plan. The debtor here as
18 included in its plan -- and, again, not objected to -- that I,
19 this Court, would retain jurisdiction exclusively for purposes
20 of plan enforcement.

21 I think it's implicit in that provision, but I would
22 like it to be made explicit in the confirmation order that
23 nothing -- sub -- that this is all subject to the Bankruptcy
24 Court's right to abstain if the Court determines that that is
25 appropriate. There may be things that I think -- and it may

1 not be me -- that the Bankruptcy Court believe should more
2 appropriately be determined by State Courts. Certainly, in the
3 implementation of this plan, particularly a plan that binds
4 elected officials.

5 MR. ORSON: Your Honor, we will certainly add that.
6 And having you say that reminds me of something that we should
7 have included in the form of order, but did not do so, along
8 the same lines, which has to do with the addressing the kind of
9 day-to-day disputes, labor disputes. We worked at length to
10 come to language that would be acceptable -- was that in the
11 plan? In the order?

12 UNIDENTIFIED SPEAKER: It's in the plan, but not in
13 the order.

14 MR. ORSON: All right.

15 UNIDENTIFIED SPEAKER: But the order references it.

16 MR. ORSON: We will be specific in the order so that
17 the Court has its comfort, which the Court expressed it wanted,
18 so that is not put into that position.

19 THE COURT: Right. That's on my list. You're
20 dealing with it. Yes, I'm not -- no judge here in this federal
21 court should be dealing with day-to-day disputes. And, in some
22 respects, the broad grant of jurisdiction to this Court could
23 be read that -- could be read in that fashion. It's -- I know
24 it's not your intention, but you may not be here, so.

25 MR. ORSON: And so that the record reflects it, and

1 we'll have a transcript of it, I can state for the record that
2 that's not the intention of the City here. It is not the
3 intention of the City here for the Court to deal with minor
4 disputes between individuals because it can be captured by the
5 language of the order or by the language of the plan.

6 Our goal here, what we need, what we're asking the
7 Court to accept exclusive jurisdiction over are the bigger
8 issue. Which is the issues such as the issues we were just
9 discussing. How do we keep the plan, which appears -- we
10 believe appears feasible today, how do we keep it feasible
11 going in the future if actions are taken which send it in
12 another direction? We're looking at the big issues here.
13 Whatever that mean. Not the day-to-day disputes that, frankly,
14 this Court should not concern itself with.

15 THE COURT: Right. I'll -- should not concern itself
16 with in several respects, right? I mean, it just isn't the
17 place of this Court to consider, again, day-to-day local
18 disputes. I know that's not the intention. I think the
19 abstention release valve -- which I think is implicit in any
20 retention of jurisdiction in any event. We're required to
21 abstain in certain circumstances -- would probably sufficiently
22 deal with that. But I'll consider whatever language -- any
23 clarification of that that you can propose, I would certainly
24 consider.

25 MR. ORSON: And we'll make sure that the language is

1 clear that we're not just talking about mandatory abstention.
2 We're talking about discretionary abstention.

3 THE COURT: Correct. That's right. All right,
4 that's fine. My next point is that -- this is really just a
5 practical point. You know, I need to try to understand today
6 and not later how this is -- how you anticipate the following
7 scenario working.

8 Annually -- quarterly, and then annually, the public
9 officials, elected officials, the mayor and the City Council,
10 are to file these attestations. They're to deliver them to the
11 person who is going to be identified as the administrative and
12 finance officer during the plan period.

13 MR. ORSON: Actually, what they do, Your Honor, under
14 the plan terms, is file them with the bankruptcy court.

15 THE COURT: Okay. All right.

16 MR. ORSON: We're open to other procedures --

17 THE COURT: Well, that's the --

18 MR. ORSON: -- but, each with a copy to the Director
19 of Revenue.

20 THE COURT: Is that what it is?

21 MR. ORSON: It's provided, yes.

22 THE COURT: So there's not going to be a special --
23 another person appointed by the State as the administrative and
24 finance officer of the --

25 MR. ORSON: There is an administrative finance

1 officer.

2 THE COURT: -- Central Falls? Go ahead.

3 MR. ORSON: I'm sorry, Your Honor, to interrupt you.

4 THE COURT: Go ahead.

5 MR. ORSON: Your Honor, under the Fiscal Stability
6 Act when the director of revenue terminates a receivership she
7 -- the chief of municipal finance provides a list to the
8 elected officials, or whoever's operating, a list of three
9 candidates to be an administrative and finance officer.

10 That person then answers to the chief operating
11 officer, whether it be a mayor or whether it be a city manager,
12 and -- but provides oversight into financial matters. I'm not
13 going to go into what all of their -- his or her duties are.
14 Those are set out with specificity in the Fiscal Stability Act.

15 The concept of the attestation statement is frankly
16 what we're looking for is as many fail safes as we can have.
17 And what we look at as a fail safe is, initially, the elected
18 officials are required to fill out the attestation statements
19 to file them with the bankruptcy court, which can be done
20 through their counsel electronically, and to provide a copy to
21 the director of revenue.

22 THE COURT: What are they attesting to?

23 MR. ORSON: What they are attesting to is that there
24 has been no -- and it's a defined term -- no material
25 modification of the plan. And then -- I don't have the

1 definition in front of me of material modification -- the
2 definition is that the budget is in material conformity with --
3 the current budget is in material conformity with the six-year
4 financial projection.

5 What it explains --

6 THE COURT: Did you say, substantial conformity?

7 UNIDENTIFIED SPEAKER: Material conformity.

8 THE COURT: Material conformity. Okay.

9 MR. ORSON: What the concept is, is the same concept
10 I was discussing with you earlier. The concept is that the --
11 and I believe it's laid out in those attestations. The concept
12 is that --

13 THE COURT: Do you have one?

14 MR. ORSON: I do. It's in the plan, if you give me a
15 moment.

16 THE COURT: I have the plan, but I don't have the
17 exhibits. I'd like to see what that attestation is going to
18 look like.

19 MR. ORSON: Of the plan -- Your Honor, why don't I --
20 if I may, I'll hand up to you one of the attestation forms?

21 THE COURT: That's fine. Does Mr. Goldberg have one?

22 MR. GOLDBERG: I don't have one in hand, Your Honor.

23 MR. ORSON: I have three, so --

24 MR. GOLDBERG: If I could just glance at one?

25 THE COURT: You bet.

1 MR. ORSON: Certainly -- I believe it is -- may I
2 approach, Your Honor?

3 THE COURT: Please do. Thank you.

4 MR. ORSON: I also direct Your Honor to Page 34 of
5 the plan, which provides the definition of material conformity.
6 And, for the record, it provides material conformity shall mean
7 that the budget is consistent with the six-year financial
8 projection and/or that any increases in expenditures in any
9 line item is offset by increases in revenues based upon
10 additional revenues or decreases in expenditures. Any
11 assumptions regarding any such additional revenues and/or
12 decreases in expenditures must be reasonable.

13 THE COURT: All right. This -- what I'm looking at
14 is actually the attestation by the administrative and finance
15 officer.

16 MR. ORSON: Then that's not the right one. I'm
17 sorry, Your Honor.

18 THE COURT: The one I'm looking for is the one that
19 --

20 MR. ORSON: The one -- the --

21 THE COURT: -- the mayor and the City Council.

22 MR. ORSON: I -- let me provide you -- see if I have
23 another one. I am going to hand up to the Court a document
24 which is entitled Quarterly Attestation Form. It is a form
25 that must be assigned by the elected officials. I'm going to

1 read into the record the definition in the form -- which I
2 believe it will be the same, but to be certain I'll read into
3 the record the definition of material conformity in this
4 document, which I'll be handing to the judge.

5 It provides, material conformity shall mean that
6 actual fiscal performance is consistent with six-year financial
7 projection to the amended plan, and/or that any increase in
8 expenditures in any line item as compared to the six-year
9 financial projection to the amended plan is offset by increases
10 in revenues as compared to the six-year financial projection to
11 the amended plan, and/or decreases in expenditures as compared
12 to the six-year financial projection to the amended plan. Any
13 assumptions regarding additional revenues and/or decreases in
14 expenditures must be reasonable. May I approach, Your Honor?

15 THE COURT: Please do. Mr. Goldberg's seen this?

16 MR. GOLDBERG: Yes, I have, Judge.

17 THE COURT: Thank you.

18 UNIDENTIFIED SPEAKER: (Indiscernible).

19 MR. GOLDBERG: No. I believe it's the same as the
20 annual, which I have in front of me.

21 MR. ORSON: I might need to look at yours because I
22 don't have it. I left it at (indiscernible). Thank you.

23 THE COURT: All right. So assuming that the plan is
24 followed, then the elected official would file this with the
25 bankruptcy court?

1 MR. ORSON: Correct.

2 THE COURT: All right. And I'm not an investigator.
3 It's not part of my role. I won't do anything with that until
4 someone calls it to my attention.

5 MR. ORSON: That's what's intended, Your Honor.

6 THE COURT: It is?

7 MR. ORSON: We're not asking Your Honor to play
8 overseer. By filing it with the court, then all parties will
9 electronically get copies. It just seemed like a logical way
10 to do so.

11 THE COURT: All right. I don't -- I don't really
12 disagree with that. But this is the next question I have is,
13 and then what? What do I do then?

14 MR. ORSON: Your Honor --

15 THE COURT: I have a hearing and make a decision
16 then, and what might that decision -- what's the range of
17 possibilities?

18 MR. ORSON: Your Honor, we look at this as no
19 different than filing a schedule with the court. When someone
20 files a schedule with the court, you don't rule -- make a
21 ruling on the schedule. It is there to be observed by whoever
22 seeks to look at it. And Your Honor would do nothing unless
23 there is a matter, a motion before Your Honor. So if the
24 director of revenue or the union members receive attestations
25 that demonstrate that the City remains in material conformity

1 with the six-year projection and then later -- because the
2 second sale -- the second fail safe is having the
3 administrative officer, who will be frankly someone who the --
4 the chief of municipal finance works for the director of
5 revenue and the people that she puts on her list will be people
6 who we have faith in. That person will file a statement --
7 it's not called a -- it's not an attestation statement. It's
8 just a statement -- whether or not the administrative and
9 finance officer agrees with the attestations of the elected
10 officials. If all of that comes out positive, then nothing is
11 contemplated to happen with respect to this court.

12 If on the other hand, there is an attestation that it
13 is out of material conformity, then those parties that have
14 standing can make one of many decisions. They can go and speak
15 to the City and determine whether or not they plan to make
16 changes so that the budgets will remain in balance. And if
17 they feel comfortable with their response, probably nothing
18 would happen with this Court.

19 On the other hand, if they -- if the parties
20 withstanding receive attestation statements or a statement from
21 the administrative finance officer which indicates that there's
22 a problem that they frankly believe needs to be brought to the
23 Court in order to require the Court, for the elected officials,
24 to bring the budget back in balance, then they would file,
25 presumably -- and I don't speak for anyone other than the State

1 -- but, presumably, a party with -- withstanding would file a
2 motion for a specific enforcement requiring that the City
3 return the budget to material conformity, to a balanced budget.

4 THE COURT: In a Chapter 11 case, a confirmed Chapter
5 11 case, as you know, if I were to receive a notification of
6 that sort I might reopen the -- request to reopen the case if
7 it was closed. I might reopen the case, say it's not in
8 conformity with the plan, and I might convert the case to a
9 Chapter 7 case. That's not going to happen here.

10 MR. ORSON: There's no conversion.

11 THE COURT: There's no conversion. So how is this
12 process that you've identified consistent with 904?

13 MR. ORSON: It's consistent with 904, Your Honor --
14 and we spent a lot of time thinking about these issue --

15 THE COURT: Me, too.

16 MR. ORSON: It's consistent with 904 because if you
17 read the cases on 904 a party with rights of sovereign immunity
18 can waive those rights of sovereign immunity. Right now, the
19 City is saying, Judge, we're coming to this plan and we're
20 telling you, Judge, that we are not asserting sovereign
21 immunity with respect to the need to keep these budgets in
22 balance. We are waiving that right to the extent a waiver is
23 necessary. We are -- the state, also -- to the extent that the
24 State's sovereign immunity plays a role here, the State has
25 come before this Court and not objected to these provisions.

1 The City hasn't objected to these provisions. The elected
2 officials haven't objected to these provisions. No one has
3 objected, and the time to object has expired.

4 So we believe -- we don't believe -- we certainly
5 believe there are boundaries which this Court cannot do, if you
6 read the cases. The Court -- the cases say that what this
7 Court can do, in a sense, is make financial decisions in order
8 to enforce a plan. It can't make policy decisions.

9 Frankly, Your Honor, we would love to be in a
10 position where we could say, we think we've got the world's
11 greatest professionals -- or not the -- we've got great
12 professionals in there who are doing a great job and they can't
13 be touched, or -- but that's a policy decision. And the cases
14 say we can't go as far as forcing policy decisions into the
15 future. And this Court should not be in the position of making
16 policy decisions.

17 What this Court can, should, be able to do is to say,
18 the plan has a certain financial underpinning. This was agreed
19 to, confirmed, and I can enforce it, and I'm not bound by
20 sovereign immunity to walk away and say I don't have the power
21 to do so here.

22 THE COURT: All right. I understand. So it's in
23 compliance with 904 because the municipal parties, the state
24 parties, the parties that would otherwise have sovereign rights
25 have participated willingly in this process. That's your

1 argument?

2 MR. ORSON: Correct, Your Honor.

3 THE COURT: Okay. Okay, let's see. In the
4 confirmation order -- if it's not there, and I don't think it
5 is -- I think that the debtor should include a statement that
6 to the effect that nothing in the plan or in the confirmation
7 order, the order confirming the plan, should be construed to
8 impair the rights of the State of Rhode Island by and through
9 its director of revenue under the Municipal Receivership
10 Statute or the jurisdiction of the Courts of the State of Rhode
11 Island regarding any action under that chapter. I can fill
12 that in or we can give it to Ms. Curley separately.

13 MR. ORSON: I agree. I'm sure that --

14 THE COURT: That isn't the intention, and there's a
15 Tenth Amendment limit here to what I'm willing to sign on to,
16 and --

17 MR. ORSON: Oh, we want to retain all of our rights
18 under state law that we have.

19 THE COURT: Of course.

20 MR. ORSON: I'm sure Ms. Gallogly is nodding her head
21 right now in agreement with you, Your Honor.

22 THE COURT: Gotcha, okay. All right. If she didn't
23 get that we'll give that language to you. All right. This
24 case is going to stay open then, correct, for this five-year
25 six-year period?

1 MR. ORSON: I believe that to be the best way to do
2 so. I think it's somewhat of an irrelevant technicality
3 whether the case remains open and we have to file a motion to
4 reopen. To me, that's administrative, not substantive. I
5 really don't have strong feelings whether the case, in a sense,
6 stays open. But I think, administratively, it makes sense to
7 do so. The City will emerge. It emerges from bankruptcy --

8 THE COURT: That's right.

9 MR. ORSON: -- when -- on the effective date of the
10 plan if the Court confirms. But I think it makes great
11 administrative sense for the case to just sit in stasis in case
12 it is called upon to exercise its exclusive jurisdiction.

13 THE COURT: All right. I think that's consistent
14 with 945(b) which says that, except as provided in Subsection
15 (a), the Court shall close the case when administration of the
16 case has been completed.

17 MR. ORSON: But if you go to (a) again, it says that
18 Your Honor may retain jurisdiction for the time that is
19 necessary for a successful implementation of the plan, if it's
20 Your Honor discretion that given the unusual circumstances here
21 that success -- the best way that -- that for successful
22 implementation of the plan the Court should keep it open. I
23 think the Court has that flexibility under 945.

24 THE COURT: Normally, it's the first -- you know,
25 it's substantial implementation, so it would be the -- upon the

1 first payment of claims, the first distribution, and then we
2 would close the case. This is different. So I accept that.
3 We won't close the case.

4 There is a consequence to that though, and that is if
5 I have an open case on my docket I need to see you once in a
6 great while. And here's what I think I would need to do, and
7 that is to have a status conference annually and ask for 30
8 days -- and by the way, the timing of the status conference, I
9 suggest, would be -- when does the City do its budget? When
10 does it finalize its budget?

11 MR. ORSON: It -- I'm informed by Ms. Corrigan --

12 UNIDENTIFIED SPEAKER: One second.

13 MR. ORSON: I'm informed by Ms. Corrigan, and I will
14 look to her to make certain I say this correctly, that it is
15 finalized -- that the budget is finalized by ordinance between
16 March and May of the prior fiscal year. So if for fiscal year
17 2013, between May -- March and May of 2012, the budget would be
18 finalized.

19 THE COURT: In --

20 MR. ORSON: Is that correct, Ms. Corrigan?

21 MS. CORRIGAN: (No audible response).

22 MR. ORSON: She -- for the record, she's nodded her
23 head yes.

24 THE COURT: All right. And the fiscal year is when?

25 UNIDENTIFIED SPEAKER: July 1st.

1 MR. ORSON: What?

2 THE COURT: July 1?

3 MR. ORSON: July 1 to June 30.

4 THE COURT: Okay. All right. So, really, I think
5 that we should plan to have a status conference annually 30
6 days -- well, the budget could be finalized any time in that
7 period of time. March, April or May. But it must be complete
8 by the end of May. It must be --

9 MR. ORSON: Is it by statute that it must be
10 complete?

11 UNIDENTIFIED SPEAKER: By charter.

12 MR. ORSON: By charter, it must be complete, I'm
13 being told by Ms. Corrigan.

14 THE COURT: All right. So 30 days after the -- I
15 guess, after May 31st is what we'd be looking at, so end of
16 June. With a -- I would ask for a status report 30 days prior
17 to the status conference. Nothing elaborate.

18 MR. ORSON: Your Honor, may I suggest that there be
19 two -- I'm not certain how much inform -- other than what the
20 State receives in attestation statements, I'm not certain --
21 I'm not certain how much information I will have in order to
22 provide a status report.

23 THE COURT: This is with the confirmed debtor, by the
24 way. I'm not sure it will be you, right? It may be whoever's
25 running the budget at that point, so it may be you. Maybe

1 they'll hire you. But I'm --

2 MR. ORSON: I think that's incredibly unlikely, Your
3 Honor. But I, frankly, think that it would make the most sense
4 for the City to file the status report, and if any other party
5 feels the need to file anything they should be allowed to do
6 so.

7 THE COURT: If the case is open, I feel that that
8 would be an appropriate procedure. I think you should work
9 that up, build something into the order and I'll tweak it if
10 necessary, but that's what I have in mind. Okay. When, Mr.
11 Orson, is the first payment to unsecured creditors?

12 MR. ORSON: It's --

13 UNIDENTIFIED SPEAKER: On or before June 30th, 2013.

14 MR. ORSON: On or before June 30th, 2013.

15 THE COURT: All right.

16 MR. ORSON: They're a payment to other creditors.
17 Remember, we have many classes of creditors here. Including
18 impaired classes. And so there's certainly -- we have payments
19 to -- under our rescue lease we have payments to --

20 THE COURT: Right.

21 MR. ORSON: -- retirees. We have payments under the
22 collective bargaining agreements. Those are part of their
23 treatment. So they're technically payments under the confirmed
24 plan.

25 THE COURT: So my question is, does the debtor have

1 sufficient funds on hand to make the payments when due?

2 MR. ORSON: Yes.

3 THE COURT: All right.

4 MR. ORSON: We -- I'm told we are -- to Class 15?

5 UNIDENTIFIED SPEAKER: Class 17.

6 MR. ORSON: We -- I'm told that it's contemplated
7 that the payment to the Class 17 creditors, the general
8 unsecured convenience class creditors, will be made before
9 December 31, 2012.

10 THE COURT: All right. I'm just -- I wanted
11 confirmation that the cash is available to make the payments
12 when due.

13 MR. ORSON: We -- the --

14 THE COURT: The first distribution.

15 MR. ORSON: -- cash is certainly available, and we
16 have no reason to believe we can't abide by our representations
17 in our six-year plan.

18 THE COURT: Do you have Page 44 of the plan?

19 MR. ORSON: May I, Your Honor? Page --

20 THE COURT: Forty-four is what I'm looking for.

21 MR. ORSON: It is before me, Your Honor.

22 THE COURT: Oh, all right, hold on. I may -- I have
23 it. All right. Good. I'm glad you're on it. So retention of
24 jurisdiction, again, the language is -- in the prefatory
25 language in that section it says, the Bankruptcy Court shall

1 retain and have exclusive jurisdiction over any matter arising
2 under the bankruptcy code and relating to the City arising in
3 or related to the Chapter 9 case or this amended plan, and
4 otherwise. What does "and otherwise" mean? Why is that
5 language present? I realize we're talking about the plan here
6 and we can deal with this in the confirmation order, but it's a
7 little open ended. It's a pretty comprehensive list. A list
8 that makes sense to me. But the --

9 MR. ORSON: I see --

10 THE COURT: -- "and otherwise" language --

11 MR. ORSON: Judge, we see know reason why we can
12 state on the record that we will not -- we're not seeking to
13 include anything under that "and otherwise" clause.

14 THE COURT: All right. All right, I thought that was
15 probably the case. We've sort of talked about this, but we'll
16 deal with that in the confirmation order, as well.

17 MR. ORSON: One "and otherwise" could be the
18 confirmation order to the extent it didn't fall within those
19 other categories.

20 THE COURT: Then say it.

21 MR. ORSON: You --

22 THE COURT: That's fine. All right. Could you turn
23 your attention to Section 944(b) effect -- this is a section
24 that entitled, Effect of Confirmation.

25 MR. ORSON: May I take a second and just look at it?

1 I have it in front of me.

2 THE COURT: Sure.

3 MR. ORSON: I obviously understand why you're asking
4 me to turn my attention. We don't have a dispersing agent --

5 THE COURT: Right.

6 MR. ORSON: -- in this and we would ask that the
7 Court exempt us from that requirement.

8 THE COURT: So, I agree the provision deals with
9 circumstances not present in this Chapter 9 case, in my view,
10 and so I think that the confirmation order needs to say
11 something like, notwithstanding Section 944(b) or the
12 requirements of 944(b), so that it's clear that in the
13 confirmed plan there isn't any requirement that those
14 procedures be followed. The City is the dispersing agent, so
15 to speak, here.

16 MR. ORSON: Correct, Your Honor.

17 THE COURT: Okay. What's the next thing in this
18 case, not a year out, but in the short run? What's the horizon
19 for objections to claims and hearings on claims -- hearings on
20 claims objections, et cetera?

21 MR. ORSON: If Your Honor may have noticed, we
22 actually shorten the time in our order than what we provided
23 for in the plan for our objections to claims. We've shortened
24 it, I believe to 60 days?

25 UNIDENTIFIED SPEAKER: After the effective date.

1 MR. ORSON: Sixty days after the effective date. And
2 --

3 THE COURT: All right. It was 180, initially?

4 MR. ORSON: I -- yes.

5 THE COURT: Okay.

6 MR. ORSON: We, pretty much, have identified those --
7 most of the claims in which we're going to be objecting to. We
8 want to keep this case moving or keep the post-confirmation
9 obligations moving on a short time frame. So the next, I
10 believe, item that this Court will be addressing would be --
11 assuming the Court confirms the plan -- would be objection to
12 claims.

13 THE COURT: All right. And the City has unilaterally
14 shortened that period?

15 MR. ORSON: The City has suggested that by
16 implication by submitting a confirmation order with a shorter
17 period of time.

18 THE COURT: All right. I don't see any reason not to
19 do that. Of course, other creditors may, and certainly have
20 standing in a case involving a pool of money such as we have
21 here for Class -- the unsecured creditor class -- have standing
22 to object.

23 MR. ORSON: If there's any problem, at all, we'll do
24 the 180 and we'll just do it --

25 THE COURT: No. If the time doesn't -- I'm okay with

1 the 60 days. I -- my concern is, in the confirmation order, to
2 the extent that we're -- we need to recognize that other
3 creditors have standing and may have a reason to object if they
4 think -- even though the debtor may not have incentive to
5 object because it's got caps and it's a \$600,000 pool, there be
6 other creditors that feel that their share of that pool should
7 be larger and someone's being overpaid, so they have standing
8 to bring an objection, so --

9 MR. ORSON: We'll make that clear in the confirmation
10 order.

11 THE COURT: That would be helpful. All right, before
12 we -- those are all my comments, and they all go to the
13 confirmation order and can be dealt with therein. Is anyone
14 present that would wish to cross examine any of the affiants?

15 MR. GOLDBERG: Yes.

16 THE COURT: Okay. Who would you like to cross
17 examine?

18 MR. GOLDBERG: I'd like to examine Ms. Corrigan.

19 THE COURT: Okay. All right. Yes?

20 MR. ORSON: For the record, Your Honor has already
21 made known that he's going to allow cross examination. I would
22 state for the record that the City Council, first off, filed no
23 objection and therefore we would argue that while they
24 certainly would have rights to seek clarification, that to the
25 extent the examination is one in the nature of an objection or

1 to demonstrate an objection, that we believe that it is
2 improper for them to do so.

3 Secondly, if I may, I'd like to ask the Court if Ms.
4 Curley can address the Court on the issue of whether they have
5 standing to do so? May I ask Ms. Curley to address that issue?

6 THE COURT: Of course you can -- of course. She may.

7 MS. CURLEY: Your Honor, the question of standing
8 that we raised in -- as an alternative in addition to the issue
9 under the bankruptcy code is whether or not the City Council
10 has standing under the Fiscal Stability Act, which is the state
11 law that you've heard a lot about in this case.

12 Specifically, the Fiscal Stability Act does -- when
13 the receiver is appointed the City Council is also put in an
14 advisory capacity. And a specific provision to direct to the
15 Court's attention is 45-9-18 of the Fiscal Stability Act
16 provides that the elected officials or the body shall not
17 rescind or take any action contrary to such action by the
18 receiver, so long as the receivership continues to exist.

19 It is our position that that provision of the Fiscal
20 Stability Act prohibits the City Council from objecting to the
21 actions of the receiver. Specifically, the actions proposing
22 this plan.

23 And in accordance with the Tenth Amendment and the
24 restrictions under 904, this Court cannot entertain the
25 objections by the City Council because the City Council

1 objection, in and of itself, is prohibited by the Fiscal
2 Stability Act.

3 THE COURT: All right. Thank you. Mr. Goldberg?

4 MR. GOLDBERG: Thank you, Your Honor.

5 THE COURT: If you could address yourself to the
6 standing question first?

7 MR. GOLDBERG: The City Council, in its greatly
8 reduced circumstances, didn't file an objection to the plan,
9 and does in almost every respect lack standing to do anything
10 with respect to the receiver under the Rhode Island general
11 laws.

12 And the City Council, through me, I believe
13 recognizes that. I could go on at length about that, but I
14 won't. The purpose, however, of comment -- and I do have --
15 and I would ask the Court for an opportunity, a brief
16 opportunity, for some preamble to frame what is going on with
17 respect to the plan after all Mr. Orson has said.

18 The comment and cross examination is not in the way
19 of objection to the plan. It is, nevertheless, to point out to
20 the Court in fulfilling its duty about feasibility and making
21 its own independent determination about feasibility and
22 propriety of the plan, some things that would not be brought to
23 the Court's attention on behalf of the taxpayers in the City of
24 Central Falls by people who are not of them and who are in fact
25 proponents of the plan. They are advocates. They are not

1 dispassionate presenters of this proposal to Your Honor.

2 Now, the Court may view -- may view the State of
3 Rhode Island -- which is who they really are -- as the only
4 voice, and in that case I guess whatever they present as a plan
5 within what very broad parameters the Court might impose, the
6 outer limits of reasonableness, they can -- at least from our
7 view -- get away with. But it does seem to me that
8 notwithstanding the lack of standing to oppose the plan, which
9 is clear in Rhode Island general laws, I do have an obligation
10 on behalf of the City Council to at least attempt to inform the
11 Court of some things that seem to be difficult to accomplish,
12 perhaps not feasible, perhaps not based on information that is
13 sufficiently reliable.

14 I've got other things to say about that, but again
15 that doesn't address the issue of standing. I don't think
16 standing is necessary to have an opportunity to inquire here on
17 behalf of the people that may some day again run the city. One
18 observation, of course, is that in six years, during that
19 period, they're going to be elections. It won't even be the
20 same people. Already the cast of characters has changed just
21 in the what seems like an age of the time that they've been in
22 receivership. One of the councilman has disappeared and
23 another has taken his place.

24 But I don't think that that -- I don't think that
25 that prohibition of standing ties the hands of the Bankruptcy

1 Court in hearing from what might one day again be the
2 government of the city in an attempt to reveal some things that
3 appear to be difficult for the voters, the taxpayers, and in
4 fact the elected officials. I think the Court still has the
5 authority to hear that notwithstanding the lack of standing as
6 a body and notwithstanding the failure to file an objection,
7 which is in some ways prohibited by the section of the general
8 law that we're operating under and the Supreme Court opinion in
9 Flanders v. Monroe.

10 So I'd ask that the Court hear what the
11 representative of the City Council briefly has to say, and
12 those questions that may provide some other light or other
13 point of view to the Court as to the efficacy of this plan,
14 which is going to be imposed for a long time to come on some
15 people who weren't represented here.

16 THE COURT: All right. Who are your clients?

17 MR. GOLDBERG: My clients are the City -- elected
18 City Council of the City of Central Falls.

19 THE COURT: And all of them endorse your
20 participation here today?

21 MR. GOLDBERG: It's difficult to respond to, Judge.
22 That was not -- it was not -- these particular actions are
23 really undertaken to respond to circumstances in litigation as
24 they unfold. Certainly, the president of the City Council is
25 here and all of this has been explained at public meetings of

1 the City Council as that has progressed. What's going on in
2 the bankruptcy court. How it's going to affect them. What
3 they might need to think about to do. These have taken place
4 at public meetings.

5 Have I had a specific meeting and resolution with the
6 -- by vote of the Council that these are the things I'm going
7 to do right now in bankruptcy court on behalf of the City
8 Council? No. But I think they're within the scope of what I
9 have explained to the City Council that I intend to do,
10 generally, and discussed without protest or descent from any
11 present member of the City Council.

12 THE COURT: I'm not sure I know what you just said.

13 MR. GOLDBERG: I talked to them about it. They
14 didn't say no, Judge.

15 THE COURT: When I practiced law I always wanted to
16 know if I had authority to talk for a client, and I'm not
17 getting that from you here. But, okay. So that's the best you
18 can do, that you've consulted the City Council and none of them
19 have told you not to do this?

20 MR. GOLDBERG: That's the truth.

21 THE COURT: The next question is, you know, we work
22 on the basis of notice here and counsel to the -- all parties
23 are entitled to know what it is that will occur today, and I'm
24 concerned that by not filing an objection that the City Council
25 hasn't given notice, fair notice, to the parties, including the

1 debtor, of what its concerns are. An objection here would be,
2 don't confirm this plan. You know, I'm not here to take
3 evidence to advise myself concerning difficulties. I'm here to
4 deal with an objection, sustain it, not confirm this plan, or
5 overrule it and confirm the plan. So I don't -- I'm also not
6 sure what you want to do. What's the purposes of your
7 examination?

8 MR. GOLDBERG: I can't very well say what I want to
9 do, Judge, without actually doing it. Much of it is
10 representing certain things to the Court, much of which the
11 Court's already raised, but they --

12 THE COURT: Why don't you -- let's do this. I'm
13 going to -- I'll have you give me notice now -- have -- give
14 all parties notice right now, all right. And then I'll decide
15 whether or not I'll allow the examination and on what topics,
16 all right? But what is it that you would like to raise with
17 the Court?

18 MR. GOLDBERG: Could I go back a moment, Judge, and
19 address the filing of the objection?

20 THE COURT: Yes.

21 MR. GOLDBERG: I know having been allowed to go a
22 certain point, I probably shouldn't cut myself off by going
23 back to some other deficiency that the Court's now apparently
24 inclined to overlook. But I've got to say on my -- on behalf
25 of my clients that our freedom to file formal objections is

1 greatly chilled by the behavior of the State of Rhode Island in
2 this case. When we do something in the bankruptcy court we
3 receive correspondence from the receiver or receiver's counsel
4 cautioning us that we're going to be charged personally with
5 further fees for frustrating the purposes of the State of Rhode
6 Island.

7 So we have to be very wary of what we do, and given
8 the budget which we have, which is zero, we are limited to
9 small things. So it is not out of a desire to surprise Mr.
10 Orson or the State of Rhode Island --

11 THE COURT: Or the Court.

12 MR. GOLDBERG: Or the Court, certainly, Your Honor.
13 I appreciate and the City Council very much appreciates your
14 patience and attention to the needs of the City. But we're not
15 in what is a really a conventional situation by state law that
16 has been thrust upon us.

17 That being said, I do want to explore somewhat more,
18 for the Court's consideration, the idea that there is a
19 direction that some elected officer certify or attest to
20 something beyond the warrant of their office to say that a
21 budget is in conformity. In certain respect, I think it will
22 be demonstrated by Ms. Corrigan if she has the -- if she has
23 the knowledge, because she's the progenitor of this plan, that
24 for example, City Council members have little, if any, control
25 over the actual budget in the City of Central Falls. It's a

1 creature of the -- if democracy were restored, it's a creature
2 of the mayor.

3 And they get an opportunity to vote on it. And what
4 if it's a three-two vote? What do the two dissenters do? Do
5 they sign, we don't certify we have a different opinion?
6 Furthermore, the paperwork really calls for expert opinion, an
7 accountant at least, probably a lawyer, a certification that a
8 -- that dispositions of millions and millions of dollars
9 conform to a plan. Nothing against the members of the City
10 Council of Central Falls, but these are things not within their
11 can. Unless by good fortune, apparently a lawyer or a CPA,
12 gets elected to that position, which I don't think has happened
13 in 200 years.

14 These things -- these things, I think, in the Court's
15 general duty, and a lot of this Chapter 9, is terra incognita.
16 Little is known about what needs to be done or should or
17 shouldn't be done. Counsel's got to -- they're already subject
18 to almost a \$300,000 penalty. They are not people of means.
19 They've got to be circumspect on how they proceed.

20 The other thing is, what if those elected officials
21 say, I don't want to sign. Let's -- there's going to be an
22 election in November of 2013. Presumably, there'll be some
23 turn over. They just don't want to sign. What's the penalty?
24 Are they ordered to sign? Are they in contempt? What is --
25 what does that mean?

1 We don't even know who's signing the checks presently
2 or how long they're going to continue to sign the checks. All
3 of these issues, I think -- since this is really. This is the
4 stamp of government on the City of Central Falls -- need to be
5 considered by the Court. Maybe the Court's heard enough from
6 me to conduct its own inquiry. But, I would say respectfully,
7 the Court's relying on their -- absolutely the rawest kind of
8 opinion, is a forecast, a prediction. And that's what they're
9 doing with this. It's -- they're forecasting another four or
10 five economic years without ever having heard a peep on the
11 stand about their level of expertise, the basis on which
12 they've drawn the conclusions. Not one word viva voce under
13 oath.

14 THE COURT: What about the affidavits that present
15 exactly the testimony you're suggesting you don't have?

16 MR. GOLDBERG: They -- they are --

17 THE COURT: They're under oath. They identify the
18 qualifications of the affiants.

19 MR. GOLDBERG: And nobody -- this is an adversarial
20 system and with good reason. They are an affidavit, but that's
21 why, generally speaking, unless their unopposed they're not
22 admitted because nobody has asked, well, what studies have you
23 done? What do you anticipate, as the taxes raise, what the
24 board-up rate is going to be? There is a point at which you --
25 after which you increase taxes so much the amount -- the gross

1 amount of collections descends. There's no advocate for the
2 Court to ask that. It's essentially a tv dinner. And we're
3 not going to say, I don't want that or this hasn't been
4 prepared properly. That is -- none of that is there and we're
5 very limited in a way in which we can present it.

6 But I still say, respectfully, it's certainly
7 something that ought to be considered by the Court when
8 considering the people in Central Falls, and they're going to
9 have to live with it, and what the elected officials, if they
10 even choose to run, are going to have to do.

11 THE COURT: Well, you were here and I think you saw
12 that I -- virtually all of my questions with respect to
13 confirmation of this plan went to the issue of these
14 attestations and my role, ultimately, in -- continuing role and
15 jurisdiction with respect to them.

16 All right. I'm going to take a five minute break and
17 when I come back I'll discuss with you, make a ruling
18 concerning your request to examine Ms. Corrigan. My
19 understanding though is that what you want to ask her about are
20 the issues I just identified. The attestations, the nature of
21 them, et cetera. Correct?

22 MR. GOLDBERG: Et cetera, yes, Judge.

23 THE COURT: All right, let me amend that. Take off
24 et cetera. Period. That's what you want to ask about? Here's
25 why. There's a notice -- there's a fundamental notice issue

1 here and they -- they were entitled to an objection from you.
2 You've told me that perhaps your clients, unspecified, were
3 concerned about filing an objection. I did offer an
4 opportunity to examine and I'll come out and talk about that
5 more.

6 MR. GOLDBERG: Very well, Your Honor.

7 THE COURT: But that's what I understand you want to
8 examine about?

9 MR. GOLDBERG: Presently, yes, Judge. I don't mean
10 to be disrespectful or evasive, Judge, but I've been told for
11 40 years when I ask a very experienced lawyer, well, what
12 questions should I ask? He said to me, one question follows
13 another. Those are the areas that I've identified. I could do
14 so with greater precision because I've gone through the
15 material and identified specifically the things I want to ask
16 about. I think some questions ought to be asked about
17 qualifications to make the kind of predictions that Ms.
18 Corrigan has made and what studies have been undertaken and
19 what other experts, unnamed, have been consulted and what their
20 opinions were.

21 THE COURT: Any other topics?

22 MR. GOLDBERG: I have --

23 THE COURT: They need to know now.

24 MR. GOLDBERG: I under --

25 THE COURT: They needed to know when the objections

1 were due --

2 MR. GOLDBERG: Judge --

3 THE COURT: -- but now they need to know. We are
4 going to employ a process here. We already haven't -- we've
5 already varied -- perhaps we will vary the process, but --

6 MR. GOLDBERG: I understand that, Judge. I
7 understand that. If the Court cuts me off, I've got to just --
8 I've got to live with what the situation is. I did what I did
9 and --

10 THE COURT: All right, take a five minute --

11 MR. ORSON: May I --

12 THE COURT: Take a five minute --

13 MR. ORSON: May I heard just very brief, Your Honor?

14 THE COURT: Yes, of course. Yes, you may.

15 MR. ORSON: First, Your Honor, I'd like to -- to the
16 extent the other two witnesses are not going to be necessary,
17 I'd like to know if they can be excused, Mr. Dolan and Ms.
18 Peccia?

19 THE COURT: No one's identified them as being the
20 subject of any examination, so the answer is yes.

21 MR. ORSON: Okay. At the -- secondly, with respect
22 to the substance of the colloquy, and at the risk of repeating
23 what the Court has already said, I just want to say what I just
24 heard counsel say. Counsel acknowledged that the -- that his
25 clients, who didn't explicitly authorize him to be here, have

1 no legal standing. That they could not object statutorily.
2 That he wants to do an examination to determine whether the
3 attestations are appropriate, but that's -- but not as an
4 objection. That he wants to do so, so that you can have
5 information to make a decision.

6 What is an objection? An objection is -- the purpose
7 of an objection is to give the Court the basis to hear another
8 side and come to a decision. If the Court allows that, it's
9 simply circumventing the process and saying that notice
10 provisions mean nothing, that the objection dates mean nothing,
11 that standing means nothing. For those reasons we ask that the
12 Court determine that an examination of the two topics he has
13 identified, the other topic being Ms. Corrigan's
14 qualifications, should not be allowed to go forward.

15 THE COURT: All right. I understand your argument.

16 (Recess)

17 COURTROOM DEPUTY: Please be seated. Back on the
18 record in the City of Central Falls, Rhode Island.

19 THE COURT: Mr. Goldberg, because I'm not sure of
20 what your answer was to the question of for what client are you
21 authorized to make inquiry --

22 MR. GOLDBERG: Do you want me to --

23 THE COURT: -- I'm going to ask you to tell me by
24 name at least one member of the City Council that you're here
25 to represent.

1 MR. GOLDBERG: William Benson.

2 THE COURT: And that's -- Mr. Benson is here?

3 MR. GOLDBERG: Yes, he is, Judge.

4 UNIDENTIFIED SPEAKER: Yes, Your Honor.

5 THE COURT: Okay. Any others?

6 MR. GOLDBERG: I'm --

7 THE COURT: By name?

8 MR. GOLDBERG: -- confident that Patrick Szlastha
9 fully endorses what I'm doing. I also believe that Eunice
10 DeLaHoz fully endorses what I'm doing. Mr. Ferri has been
11 informed and expressed no protest face to face at an open
12 meeting. And Mr. Diossa has been informed face to face at an
13 open meeting without any -- without protest, without complaint.
14 Everything to visibly demonstrate assent.

15 THE COURT: All right. Here's what I'm going -- go
16 ahead, Mr. Orson, you want to say something?

17 MR. ORSON: Your Honor, during the break Ms. Corrigan
18 spoke to Mr. Diossa.

19 THE COURT: Who's --

20 MR. ORSON: Mr. Diossa is one of the -- is the last
21 councilman that he referred to. And was informed that he did
22 not know that Mr. Goldberg was here and he does not agree that
23 Mr. Goldberg represents him as an individual or as a councilman
24 in any court proceeding.

25 THE COURT: All right.

1 MR. ORSON: Is that a correct representation, Ms.
2 Corrigan?

3 MS. CORRIGAN: Yes.

4 THE COURT: All right. I'm troubled by the whole
5 thing. But here's what I'm going to do. I'm going to allow
6 cross -- I'm going to allow examination. I told you I would
7 allow it. In the event that I feel that after the examination
8 and taking into account both the examination and the arguments
9 that Mr. Goldberg has made, that it -- that the plan should be
10 confirmed, I will proceed simply to confirm it.

11 In the event that I feel otherwise, I will allow a
12 short period of time for briefing of the issue. In other
13 words, if I were to determine after the examination that there
14 is a barrier, that there is a reason not to confirm the plan at
15 this time, I would allow briefing on all of the issues of
16 standing, notice, and authority. And we'll proceed from there.

17 MR. ORSON: Will you note the City's exception, Your
18 Honor?

19 THE COURT: Of course. All right, so Ms. Corrigan,
20 if you would please, can you come up and be sworn?

21 COURTROOM DEPUTY: Can you raise your right hand?

22 GAYLE CORRIGAN, DEBTOR'S WITNESS, SWORN

23 COURTROOM DEPUTY: Please be seated.

24 THE COURT: Mr. Goldberg, I'd like you to focus your
25 examination such that you'll be finishing in about 15 or 20

1 minutes.

2 MR. GOLDBERG: Very well, Your Honor.

3 THE COURT: Okay.

4 CROSS EXAMINATION

5 BY MR. GOLDBERG:

6 Q Ms. Corrigan, you heard Mr. Orson describe you, and
7 describe you in the papers as well, as really the developer and
8 the principal offer of this plan for the City, is that correct?

9 MR. ORSON: Objection.

10 THE COURT: Basis?

11 MR. ORSON: He talked about plan -- he -- without
12 defining that term. There's a plan of debt adjustment which
13 he's not author for -- she's not the author of or --

14 THE COURT: All right, she can answer. Over ruled.

15 A I'm sorry. What was the question? The specific question.

16 Q Are you the developer of this plan?

17 A Again, I'm -- what plan are you referring to?

18 MR. GOLDBERG: If I could just have a second, Your
19 Honor?

20 THE COURT: Sure.

21 Q Let me withdraw that question and say, are the developer
22 of the six-year financial projection? I'm referring to your
23 affidavit, Paragraph 6.

24 A I am the chief developer, but I am not the only person who
25 worked on this plan.

1 Q Who else worked on it?

2 A There was much input from many sources, ranging from
3 different professionals in the state and the Department of
4 Revenue. Much of it came from the actual signed collective
5 bargaining agreements and other people in City Hall and other
6 professional in municipal government.

7 Q Can you name the people who you consulted in developing
8 this six-year financial projection?

9 A Yes.

10 Q Please name them?

11 A Some, including but not exhaustive list, include James
12 Savage, Matt Helfand, Linda Dykeman, Jill Barrette, Susanne
13 Greschner, Braver our audit company, our auditors, and specific
14 with our auditors, that would be Deb Mitchell and the partner
15 Peter Chatellier.

16 Q Have you finished your answer?

17 A I'm flipping through, because there was so many people.
18 There was definitely input from Eunice and specific consultants
19 that were hired through the Umass Collins Center of Government.
20 Legal experts, including Marilyn McConaghy at the Department of
21 Revenue. Christine Curley.

22 Q I noticed as you're answering me, ma'am, that you are
23 thumbing through a document?

24 A Yes.

25 Q And you're doing that to refresh your recollection?

1 A There's -- this plan is such -- I mean, it's what, fifty
2 something --

3 Q I'm just ask -- I'm just ask --

4 A Yes. No, the answer is --

5 MR. ORSON: Objection, Your Honor. Would you please
6 instruct the attorney to allow the witness to answer the
7 question.

8 THE COURT: Mr. Goldberg, allow her to finish the
9 answer. You asked her and she's going to answer it. Go ahead,
10 ma'am, finish your answer.

11 A Yes, because this plan is so encompassing and because so
12 many different individuals had input into this plan it -- it's
13 helpful for me to look at the plan. I just remembered another
14 one. Dan Sharmon (phonetic) for a lot of the pension
15 obligations. The list is -- it would take me quite a long
16 time, and I apologize in advance to all those people who have
17 contributed to this plan that I, at this point being on the
18 stand, don't remember.

19 MR. GOLDBERG: I think my question was, Judge, are
20 you using the document to refresh your recollection.

21 THE COURT: And I think she answered that. Any other
22 questions?

23 Q Who of those people that you have named -- in fact, I'll
24 withdraw that question. Did you participate in drawing any of
25 the conclusions about the financial future and condition of the

1 City of Central Falls that were integrated into this plan?

2 A I don't understand the question.

3 Q Did you provide any of the information about the
4 forecasting for the City of Central Falls that put this plan
5 together?

6 A I'm sorry, I still don't understand the question. Are you
7 saying that I -- the numbers came from historical analysis.
8 Like I said, much of it is from Dan Sharmon's actuarial
9 analysis and the CBA's probably account for about 80 percent of
10 this plan.

11 Q Did you yourself do any of the analysis?

12 A On certain revenue lines. I did trend analysis for -- in
13 terms of licensing fees, things like that.

14 Q Well, let me ask you this, do you have any professional
15 training or qualification in municipal planning?

16 A In municipal planning, I'm not sure there is a
17 professional qualification. I have professional qualification
18 in budgeting and forecasting, which I've had for at least 15 to
19 20 years. And I have a CPA certificate, and I have been doing
20 budgeting and forecasting for large multi-national corporations
21 since at least -- at least 15 years.

22 Q Do you have any municipal -- particular municipal
23 experience besides Central Falls that you can point to?

24 A I was on the economic development board in the City of
25 North Kingstown.

1 Q How long?

2 A About a year prior. And I also served on the board of
3 directors of the North Kingston Chamber of Commerce.

4 Q Were either of those paid positions?

5 A No.

6 Q Okay.

7 A Volunteer.

8 Q Did you have any hand in, or knowledge about, the
9 formulation of the part of the plan that requires members of
10 the City Council to sign certificates about the financial
11 condition of the City relative to this plan?

12 A No.

13 Q So you don't know anything about that?

14 A I have indirect knowledge, as I've read -- I've read the
15 appendix and the attestations and I reviewed them for
16 reasonableness.

17 Q Who would be the appropriate person, if you know, to talk
18 to about that?

19 A Mr. Orson or Ms. Curley.

20 Q They're both lawyers, right?

21 A That's correct.

22 Q So that was a legal decision?

23 MR. ORSON: Objection.

24 THE COURT: Basis?

25 MR. ORSON: I don't really understand the --

1 THE COURT: Sustained as to form.

2 Q One of the things -- and I'm reading from Section 8 of
3 your affidavit -- the -- this is at the bottom -- the receiver
4 plans to hold a series of meetings after the plan is confirmed
5 to effectuate the transition from receivership to local city
6 governments in an -- and in order to provide the City's elected
7 officials with the proper education to enable them to
8 effectively implement the terms of the plan. What education
9 were you referring to there in your affidavit in support of
10 this plan?

11 A What we envision is that we'd be meeting with the mayor
12 and the members of the City Council and reviewing line item by
13 line item the plan, explaining where each line items comes
14 from. If -- we actually, as you know, sent out copies of the
15 financial projection, and in the copies many of the line items
16 have actually notes so that in preparation for these meetings
17 the Council and the mayor could familiarize themselves and if
18 they had any questions could bring them to the forefront.

19 Q So is it fair to say, you were going to sit down with
20 them, explain this to them, and answer any questions they had,
21 and that's what you refer to as education?

22 A Yes.

23 Q In Item Number 21 of your affidavit you stated under oath,
24 in part, the receiver intends to continue to operate the city
25 until such time as the director of revenue has determined that

1 the City's elected officials have been fully educated regarding
2 the implementation of the six-year financial -- financial --
3 projection and the plan. I read those words accurately, did I
4 not?

5 THE COURT: Do you have a copy of your affidavit
6 before you?

7 A I do. I think you repeated the word financial twice. I'm
8 not sure. I wasn't paying attention if you were reading
9 accurately or not.

10 Q Do you have Number 21 before you?

11 A Yes.

12 Q Okay. Do you want to read it now, please? Tell me when
13 you're done.

14 A Yes.

15 Q So do you know when you signed this affidavit in support
16 of the plan how a determination was going to be made that the
17 City's elected officials had been fully educated?

18 A From my understanding, that's under the purview of the
19 director of revenue.

20 Q Do you know how she's going to make that determination --

21 MR. ORSON: Objection.

22 Q -- that you refer to in this affidavit?

23 MR. ORSON: Objection.

24 THE COURT: Basis?

25 MR. ORSON: It calls for hearsay.

1 THE COURT: Counsel?

2 MR. GOLDBERG: It's an affidavit, Your Honor. She's
3 sworn to it. It seems to me that if she swears to it that such
4 a thing is going to take place that it's fair game whatever the
5 basis is, and furthermore, all I asked her was, does she know?
6 It's but a preliminary question.

7 THE COURT: All right. I'll allow it on that basis.

8 THE WITNESS: Well --

9 THE COURT: It's a yes or no.

10 THE WITNESS: Do I know exactly?

11 THE COURT: Would you restate the question? He's
12 really asking what you know and that's a yes or no. The issue
13 is whether this is a hearsay statement, and so before you
14 introduce a statement into evidence Mr. Orson will have an
15 option to renew his objection. But yes or no is just whether
16 you have knowledge. That's my understanding of the question,
17 but if I'm wrong then counsel will restate it. I'm not helping
18 you, am I?

19 THE WITNESS: Can -- no, because I have some
20 knowledge, not all knowledge. I mean --

21 THE COURT: Let's try this --

22 THE WITNESS: -- I'm not the director of revenue.

23 THE COURT: Let's try this again. Counsel, if you
24 would please, restate the question.

25 MR. GOLDBERG: I'll try and ask another question,

1 Your Honor.

2 Q I'm going to ask some foundational questions, if I may.

3 This Paragraph 21 is from your affidavit, is that correct --

4 A Yes.

5 Q -- Ms. Corrigan? That you swore to as a proponent of this
6 plan that we're asking Judge Bailey to approve here, is that
7 right?

8 A Yes.

9 Q Okay. And in support of that request for approval in the
10 affidavit, you said following the effective date the receiver
11 intends to continue to operate the city until such time the
12 director of revenue has determined that the city's elected
13 officials have been fully educated. I did read that accurately
14 that time, did I not?

15 A Yes.

16 Q Okay. And I think you said to me in a previous response
17 that that's up to the director of revenue, is that correct?

18 MR. ORSON: Objection as to form.

19 THE COURT: Overruled.

20 A What do you mean by that? I'm not sure of the question.

21 Q The such time -- when I asked you how she was going to
22 determine when we'd reached such time?

23 A Could you rephrase your question?

24 Q Do you see the words "until such time"?

25 A That's correct, until such -- the receiver intends to

1 continue to operate the city until such time --

2 Q And then it says, the director of revenue has determined,
3 do you see that?

4 A I see that.

5 Q Okay, and I asked you, I think, how the determination was
6 going to be made that the city officials had been fully
7 educated?

8 MR. ORSON: Objection, except to the extent that it
9 calls for a yes or no question. The answer -- I'm not sure if
10 he's -- I'm not sure what the question is, but to the extent
11 that it calls for hearsay I object for -- object on those
12 grounds.

13 THE COURT: All right. I'm going to ask you this
14 question.

15 MR. GOLDBERG: Me or the witness, Your Honor?

16 THE COURT: You.

17 MR. GOLDBERG: Oh, all right. Yes?

18 THE COURT: What's the relevance of this to
19 confirmation?

20 MR. GOLDBERG: This is one of the things that is, at
21 least governmentally, key to what's going to happen in this
22 plan out over another six years. Who's operating the city, it
23 seems to me, makes a difference, and it would seem to me,
24 respectfully, that it would make a difference to the Court in
25 determining -- determining whether or not under those very

1 broad parameters the plan is acceptable.

2 Now, the witness swore an -- swore in an affidavit
3 that it was going to happen at a time when some people were
4 fully educated. And I think the Court would want to know how
5 they're going to make that determination that someone's been
6 fully educated. I think that's relevant to whether or not this
7 is a feasible plan or if just the State of Rhode Island is
8 going to continue to operate the City of Central Falls for the
9 next six years and that's it. That this is so nebulous a
10 standard that no one can articulate it. And so far, I'd
11 respectfully suggest to the Court that that's the case.

12 MR. ORSON: Your Honor, I do object on relevance
13 grounds. It has nothing to do with the 943(b) standards. The
14 issue of when a receivership is terminated is not before this
15 Court. It is not part of or affected by the plan. It has to
16 do with the Fiscal Stability Act. For all of those reasons, I
17 object.

18 THE COURT: I sustain the objection.

19 MR. GOLDBERG: Very well, Your Honor.

20 THE COURT: Five more minutes.

21 MR. GOLDBERG: Can I make an offer -- I'll use -- I'd
22 like to use part of my minutes to make an offer of proof.

23 THE COURT: You can use them any way you want.

24 MR. GOLDBERG: Thank you, Your Honor. I'd offer to
25 prove that were the witness allowed or in fact required to

1 answer, that she would respond that she doesn't know when any
2 of this is going to take place, that it is meaningless language
3 and that there's no way that it is beyond reason -- it is
4 beyond the beyond reasonable belief standard. And I represent
5 that were the witness required to answer, that would be the sum
6 and substance of her responses. I'll ask another question.

7 MR. ORSON: What's --

8 MR. GOLDBERG: I don't believe --

9 MR. ORSON: He's made an offer of proof --

10 MR. GOLDBERG: -- there's a response to an offer of
11 proof, Your Honor.

12 MR. ORSON: Yes. You have the right to object.

13 THE COURT: I will hear -- I will hear counsel.

14 MR. GOLDBERG: Very well, Your Honor.

15 MR. ORSON: I'd like to object to the offer of proof.
16 The witness is there and I think -- I don't believe there's any
17 basis for the offer of proof.

18 THE COURT: Well, are you waiving your relevance
19 objection?

20 MR. ORSON: I'm not waiving my relevance objection.
21 And to the extent that --

22 THE COURT: It's sustained.

23 MR. ORSON: Okay.

24 THE COURT: All right, move on. Next question.

25 MR. GOLDBERG: Thanks, Your Honor.

1 BY MR. GOLDBERG:

2 Q In your affidavit, in Item Number 23, you opine -- have
3 you found that place?

4 A Yes.

5 Q The numbers in the six-year financial projection are based
6 on, one, historical performance, and in my opinion,
7 conservative assumptions, collective bargaining agreements with
8 the City's union, and then you go on to talk about the
9 settlement release, and then generally opine the six-year
10 financial projection is feasible and the plan which incorporate
11 -- which incorporates and is based upon the six-year projection
12 is likewise feasible. Did I read that accurately?

13 A Yes.

14 Q And what you have told us before, and correct me if I'm
15 wrong, that this is based -- that -- offering of that opinion
16 in the affidavit is based on your consultations largely with
17 other people?

18 A And also historical performance, analytics, conservative
19 assumptions, the collective bargaining agreements, settlement
20 and release agreements.

21 MR. GOLDBERG: I think that exhausts my five minutes,
22 Judge.

23 THE COURT: Okay. Any examination, Mr. Orson?

24 MR. ORSON: I have no redirect, Your Honor.

25 THE COURT: All right. Thank you, Ms. Corrigan. All

1 right, so that concludes the evidence. Anything further with
2 respect to confirmation before I make a ruling? Mr. McGowan?

3 MR. MCGOWAN: Yes, thank you, Judge. As to the
4 attestation documents, I think we saw those for the first time
5 about two and a half months ago, and frankly they struck a cord
6 with us because we had had discussions with the receiver and
7 the receiver's counsel about making sure that there was going
8 to be some teeth to what would be provided for in a settlement
9 agreement that we'd worked out and teeth, also, in a plan in a
10 confirmation order.

11 And the reason that was so significant to us is
12 because, frankly, in the past there had been no teeth in regard
13 to assuring that payments by the City through the mayor and the
14 City Council that were required to maintain the solvency of the
15 pension plans were in fact being made.

16 And it is a situation here that we think perhaps for
17 a decade or certainly many years, there was just this abject
18 irresponsibility on the part of the mayor and the City Council
19 in not making what the ARC was, the actuarially required
20 contribution to maintain the solvency of the pension plans. So
21 we said, we don't want to have Central Falls Chapter 9 Act II
22 here. We want to make sure that whatever it is that is being
23 provided for in that settlement agreement, whatever is provided
24 for in that plan in terms of required contributions to maintain
25 the solvency of the pension plan going forward will in fact be

1 made.

2 So when we saw these attestation documents we thought
3 that that -- that they were a reasonable means to achieve the
4 ends of the plan, the ends of the settlement agreement, and to
5 enforce these provisions with some teeth, so that if these
6 contributions weren't being made again that we would have
7 resort to this Court to come in and say, this has to stop.

8 And I would submit that it would make a mockery of
9 the whole process that we've gone through here, the whole
10 Chapter 9 process, the plan process, the confirmation, if after
11 the City is out from under, you know, the Chapter 9 process,
12 the mayor or the City Council can just do what they want to do
13 and not have to honor and abide by what the terms are of the
14 settlement agreement we worked out in the plan. So there have
15 to be some teeth associated with this.

16 We think the attestation documents provide that
17 teeth. We don't see any other teeth. There's -- as Your Honor
18 correctly pointed out, there's no opportunity to convert the
19 Chapter 9 case to a Chapter 7. So we view the attestation
20 documents as having some teeth. They're very -- very important
21 to us. They struck a cord with us and we think that there are
22 reasonable means to effectuate the plan.

23 THE COURT: Thank you. Anything further?

24 MR. ORSON: Nothing from the City, Your Honor.

25 MR. GOLDBERG: No, Your Honor.

1 THE COURT: All right.

2 (Decision previously transcribed under separate cover)

3 * * * * *

4 C E R T I F I C A T I O N

5 I, WENDY ANTOSIEWICZ, court approved transcriber,
6 certify that the foregoing is a correct transcript from the
7 official electronic sound recording of the proceedings in the
8 above-entitled matter, and to the best of my ability.

9
10 /s/ Wendy Antosiewicz

11 WENDY ANTOSIEWICZ

12 J&J COURT TRANSCRIBERS, INC. DATE: October 5, 2012