

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

<b>In re:</b>  <b>EPIC COMPANIES, LLC,</b>  <b>Debtors.<sup>1</sup></b>	§ § <b>Chapter 11</b> § § <b>Case No. 19-34752</b> § § <b>(Jointly Administered)</b> §
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**NOTICE OF FILING TRANSCRIPT OF SEPTEMBER 3, 2019**  
**HEARING IN THE EPIC COMPANIES, LLC INVOLUNTARY CASE**

Attached hereto is the transcript of the hearing held on September 3, 2019 before the United States Bankruptcy Court for the Eastern District of Louisiana in the involuntary Chapter 7 case of Epic Companies, LLC, Case No. 19-12086.

**Dated: September 13, 2019.**

Respectfully submitted,

By: /s/ John F. Higgins

John F. Higgins (TX 09597500)  
Eric M. English (TX 24062714)  
M. Shane Johnson (TX 24083263)  
Genevieve M. Graham (TX 24085340)  
PORTER HEDGES LLP  
1000 Main Street, 36th Floor  
Houston, Texas 77002  
Telephone: (713) 226-6000  
Fax: (713) 226-6248

**PROPOSED COUNSEL FOR DEBTORS  
AND DEBTORS IN POSSESSION**

<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are as follows: Epic Companies, LLC (1473), Epic Diving & Marine Services, LLC (2501), Epic Applied Technologies, LLC (5844), EPIC Specialty Services, LLC (8547), Epic Alabama Steel, LLC (6835), Epic San Francisco Shipyard, LLC (5763) and Zuma Rock Energy Services, LLC (1022). The address of the Debtors’ headquarters is: 1080 Eldridge Parkway, Suite 1300, Houston, Texas 77077.

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF LOUISIANA  
NEW ORLEANS

\* \* \* \* \*

IN THE MATTER OF: \* NO. 19-12086  
EPIC COMPANIES, LLC, \* SECTION "A"  
ALLEGED DEBTOR. \* CHAPTER 7

\* \* \* \* \*

Transcript of the proceedings taken in the above captioned matter on **Tuesday, September 3, 2019**, the Honorable Elizabeth W. Magner, United States Bankruptcy Judge, presiding.

AUDIO OPERATOR: Kathy Whyte

TRANSCRIPTIONIST: Ann B. Schleismann  
1403 Calder Street  
Gretna, Louisiana 70053  
(504) 366-6672

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

**APPEARANCES :**

Lugenbuhl, Wheaton, Peck, Rankin & Hubbard  
By: Benjamin Kadden, Esquire  
601 Poydras Street, Suite 2775  
New Orleans, Louisiana 70130

Porter Hedges, LLP  
By: Eric M. English, Esquire  
By: John F. Higgins, Esquire  
100 Main Street, 36<sup>th</sup> Floor  
Houston, Texas 77002

Kelton Tonn  
Jeffrey Varsalone

Representing Epic Companies, LLC, Alleged Debtor

McGlinchey Stafford  
By: Rudy J. Cerone, Esquire  
601 Poydras Street, 12<sup>th</sup> Floor  
New Orleans, Louisiana 70130

Paul Hastings, LLP (via telephone)  
By: Andrew V. Tenzer, Esquire  
By: Mike Comerford, Esquire  
200 Park Avenue  
New York, New York 10166

Representing White Oak Global Advisors, LLC

Newman, Mathis, Brady & Spedale, APLC  
By: Mark C. Landry, Esquire  
433 Metairie Road, Suite 600  
Metairie, Louisiana 70005

Representing R & R Boats, Inc.; Gulf-Pro Services,  
LLC; Island Automation, Inc.; Preferred Sandblasting,  
LLC; Scurlock Electric, LLC; Top Drive Services, LLC

Carver, Darden, Koretzky, Tessier, Finn, Blossman & Areaux  
By: Leann Opotowsky Moses, Esquire  
1100 Poydras Street, Suite 3100  
New Orleans, Louisiana 70163

Representing The American Equity Underwriters, Inc.

**APPEARANCES CONT'D.**

Phelps Dunbar, LLP  
By: Miles Clements, Esquire  
365 Canal Street, Suite 2000  
New Orleans, Louisiana 70130

Representing Goliath Offshore Holdings, PTE, Ltd.

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P R O C E E D I N G S

(Tuesday, September 3, 2019)

THE CLERK: Proceeding this 3<sup>rd</sup> day of September 2019, Case Number 19-12086, Epic Companies, LLC.

THE COURT: Appearances, please.

MR. LANDRY: Good morning, Your Honor, Mark Landry present representing Scurlock Electric, LLC; Preferred Sandblasting, LLC; Top Drive Services, LLC; Island Automation, Inc.; Gulf-Pro Services, LLC; and R & R Boats, Inc.

MR. HIGGINS: Good afternoon, Your Honor; John Higgins and Eric English from the law firm of Porter & Hedges on behalf of the Debtors. Your Honor, for the record the Debtor companies are Epic Companies, LLC, which is the Debtor subject before this Court; Epic Diving & Marines Services, LLC; Epic Applied Technologies, LLC; Epic Specialty Services, LLC; Epic San Francisco Shipyard, LLC; Zuma Rock Energy Services, LLC; and Epic Alabama Steel, LLC.

Also, Your Honor, I'd like to introduce to the Court if I may Mr. Kelton Tonn, who is a company representative and General Counsel, Vice-President; and also Jeffrey Varsalone who is with G2 Partners who's our CRO.

THE COURT: Okay, thank you.

MR. HIGGINS: Thank you, Your Honor.

MR. KADDEN: Good afternoon, Your Honor; Benjamin Kadden, counsel for Epic Companies.

1 MR. CLEMENTS: Good afternoon, Your Honor; Miles  
2 Clements appearing on behalf of Goliath Offshore Holdings, one  
3 of the unsecured creditors and claimants in this proceeding.

4 MR. CERONE: Good afternoon, Your Honor; Rudy Cerone  
5 of McGlinchey Stafford here in New Orleans for White Oak Global  
6 Advisors, LLC. And on the phone, Your Honor, from the Paul  
7 Hastings firm in New York are Mr. Andrew Tenzer and Mr. Michael  
8 Comerford.

9 MS. MOSES: Leann Moses on behalf of American  
10 Longshore Mutual Association, Ltd. through its program  
11 administrator The American Equities Underwriters, Inc. Thank  
12 you.

13 THE COURT: Anyone else? Okay.

14 All right, Mr. Landry, your motion.

15 MR. LANDRY: Judge, you've got two motions before you  
16 today. One was my Motion to Stay this proceeding until such  
17 time as Your Honor decided whether this case should proceed in  
18 the Eastern District of Louisiana or in the Southern District  
19 of Texas. Shortly after I filed my motion, the Debtor filed a  
20 Motion to Either Dismiss the Involuntary Proceeding or to  
21 Transfer the Case.

22 The first thing I would like to note is on the  
23 Debtor's motion there's been no service on any of the other  
24 creditors other than the creditors who have appeared in this  
25 case. There are numerous creditors that are in South Louisiana

1 primarily around the Debtor's Houma facility and the Debtor's  
2 Belle Chasse facility that we don't know if they know or not.  
3 My client has tried to make contact with as many people as we  
4 can. As you can see, we've continued to add petitioning  
5 creditors. But in order for the Court to decide at this point  
6 whether the case should be transferred or dismissed there  
7 generally has to be a 21-day notice. That wasn't done in this  
8 case. Therefore, I don't believe that the Motion to Transfer  
9 or the Motion to Dismiss are properly before the Court.

10 My motion on the other hand basically asks the Court  
11 for a standstill until such time as the issue of what court is  
12 going to hear this case is decided. We've got some parties  
13 here that can give some evidence if Your Honor wishes to go  
14 forward with that with the Debtor's motion today, but trust me,  
15 this is a layer on top of layer on top of layer and I'm just  
16 starting to find out, okay.

17 We filed our involuntary proceeding in early August,  
18 August 6<sup>th</sup> I believe, and the Debtor had until August 26<sup>th</sup> to  
19 respond. On the evening of August 26<sup>th</sup> I think about 6:00 p.m.  
20 I got a phone call. I happened to be at my desk working on  
21 another matter. Guess what? We just filed a Chapter 11 in  
22 Houston. We're going forward with first day motions tomorrow.  
23 So I did what I could do. I filed a motion, I asked the court  
24 to stay it. At this point in time the court has not entered a  
25 stay order and as I understand the law the case in Texas is not

1 stayed. So they went forward and they got several first day  
2 orders and they got -- they have proposed bidding procedures  
3 for all of the Debtor's assets to go to the secured creditor  
4 and now to some third party.

5 I think, Judge, this is going a little too fast, a  
6 little too quickly. And as you know, the people that get left  
7 out of these deals are the unsecureds. And the reason why we  
8 asked the Court to stay is so that we could do the work  
9 necessary to present to the Court evidence that will  
10 demonstrate what court should this case be in.

11 We filed our case August 6<sup>th</sup>. In their filing they  
12 claimed, oh, we jumped the gun. We tried to pull the case away  
13 from Houston. Well, Judge, I filed this case on the 6<sup>th</sup>. I  
14 didn't hear thing one from anyone representing Epic, anyone at  
15 all until the evening of the 26<sup>th</sup> when I got the phone call,  
16 hey, we filed in Houston. I got phone calls from newspaper  
17 reporters. I got phone calls from other creditors. I've got  
18 people wanting to know what's going on and my response is "My  
19 clients are vendors in Houma who supplied to this company in  
20 Terrebonne Parish and we don't know the full extent of what  
21 they're trying to do, but word on the street is it ain't good  
22 for us." So, I filed. We had sufficient creditors. No one  
23 has contested the allegations that we've made in the petition  
24 that the Debtor has its primary assets here, that it's not  
25 paying its debts as they come due. It let everybody go. All

1 of its employees are gone.

2 THE COURT: So the operations are shut down in  
3 Belle Chasse and in Houma?

4 MR. LANDRY: That's my understanding, Judge, because  
5 we got an email. One of the gentlemen who I wanted to be here  
6 who couldn't is the guy who basically said, "All of the  
7 employees are basically considering a Warren Act case against  
8 Epic because they knew they were going to go bankrupt and  
9 terminate us all and we have a right to" -- and the problem is  
10 he's starting a new job today.

11 Judge, the issue before the Court I think you've got  
12 to decide whether we go forward with the Debtor's Motion to  
13 Transfer, because if you decide to transfer the Motion to Stay  
14 is moot. But if you don't decide to transfer it, if you decide  
15 to let us have the opportunity to figure out what's going on,  
16 then the case in Houston should be stayed until such time as we  
17 can do that. Because if we don't stay it they're going to have  
18 a sale done, you know I think they're looking at September. It  
19 will be done and over.

20 THE COURT: Anybody represent a creditor interest  
21 wants to be heard?

22 MR. CLEMENTS: Yes, Your Honor, thank you. Miles  
23 Clements on behalf of Goliath Offshore Holdings and I'll be  
24 brief.

25 We filed a Memorandum Friday in Opposition to the

1 Motion to Dismiss or Alternatively Stay. Most of our position  
2 in laid out therein. I would like to point out as has just  
3 been done and reemphasize that this is a runaway train and the  
4 unsecured creditors are on the tracks and they're about to get  
5 run over. That's not the word on the street. That's the word  
6 in their pleadings and in their Declaration. And while this  
7 involuntary proceeding had been filed a little over a month ago  
8 the private equity firm in Houston who is the secured creditor  
9 in a position to do the deal which seems to be in the offing  
10 was getting its plan together so that the middle of the night  
11 filing could be had and these motions set on an expedited basis  
12 and a first day hearing in Texas obtained before we could even  
13 respond.

14 All of the creditors out there still don't know  
15 exactly -- the unsecured creditors don't know what's going on.  
16 I've talked to several, a large company in Golden Meadow is one  
17 we don't yet represent, but we do represent a company who 45  
18 days, 60 days ago bareboat chartered its sophisticated offshore  
19 derrick barge piece of equipment to the Alleged Debtor who used  
20 the asset, never paid for it or if they did it was minimal. My  
21 information is they didn't pay for it at all. There was no  
22 charter hire paid. They contracted with various suppliers,  
23 bunker suppliers, provisions, necessary services, crews,  
24 equipment, and they didn't pay any of them. So prices aren't  
25 so great in the offshore oilfield, but they didn't fluctuate

1 between April and the filing of this voluntary bankruptcy  
2 proceeding in Houston. This was a calculated plan.

3           We represent unsecured creditors. Their papers are  
4 silent as to the unsecured creditors. This is no effort to  
5 make old debts good or to get together to confect a settlement  
6 agreement; this is an effort for a private equity firm who made  
7 an investment to now capitalize on that investment to sell it  
8 to somebody else and in so doing increase the price they can  
9 get by stiffing my client and all those who in good faith  
10 contracted with them after they represented they were solvent  
11 and could do this business. So, we are here asking don't  
12 dismiss this case. The case in Houston should not go forward  
13 and they have admitted, Epic has admitted that by an order of  
14 magnitude there are \$30 million worth of unsecured creditors  
15 out there.

16           My client, between what it is owed and what it now  
17 owes due to the liens and the arrests on our vessel, is looking  
18 at \$5 million. That sophisticated piece of equipment lies in  
19 Pascagoula, Mississippi now. It is the subject of five  
20 different arrests and numerous other liens all of whom are  
21 aggrieved not because Goliath failed to pay them, but because  
22 Epic failed to pay them. And we hear nothing but silence as to  
23 them and we're looked at as a party who negotiated and entered  
24 into an agreement reliance that they were solvent and we do  
25 business with them in good faith. We're dumped, \$5 million of

1 liabilities that they created. That's not right, Your Honor.

2 THE COURT: Anyone else want to be heard? Ms. Moses?

3 MS. MOSES: Yes, Your Honor.

4 Your Honor, my client provides damp insurance  
5 coverage for not only Epic Companies which is the Debtor in  
6 this Court, but all of the debtors who are in the Houston  
7 proceeding, as well as several other non-debtor companies that  
8 are all Epic related companies.

9 THE COURT: So there's some non-Epic filers?

10 MS. MOSES: Correct.

11 THE COURT: Okay.

12 MS. MOSES: And none of those companies have been  
13 paying their insurance premiums since March of this year. This  
14 is not something new. This is something that has been planned  
15 and calculated for months, and months, and months. And,  
16 Your Honor, you may be familiar with the gentleman who is a  
17 part-owner in this company, Tom Clarke. He showed up in the  
18 Abe's case representing that they were solvent, that they  
19 wanted to buy the entity, whatever, but apparently that is not  
20 the case.

21 It seems to be that this case belongs in this Court.  
22 This is where many of the unsecured creditors are located. If  
23 the case is moved to Houston it is going to be incredibly  
24 inconvenient for the unsecured creditors. It may be fine for  
25 the finance folks, and it may be fine for the attorneys who are

1 representing them, but it is not good for the creditors in  
2 this case who are mostly located here.

3           In addition, all of the Texas proceedings pleadings  
4 seem to indicate that the Debtors are going concerns, that this  
5 is -- you know they're liquidating but they're operating.  
6 There's nothing about them having fired all of their employees  
7 which apparently -- I mean I just learned today. I do know  
8 that as of last week I was told by Epic's counsel that the  
9 reason that they were not going to pay my client who's an  
10 insurance company but they were paying other insurance  
11 companies is that the entities in bankruptcy were not operating  
12 which is not really what those pleadings say. But all of the  
13 other entities are operating supposedly, I guess, and I know  
14 from my client who looked outside their window and there is a  
15 facility across the street from them that they were operating  
16 so --

17           THE COURT: Where is that?

18           MS. MOSES: And that was in Mobile, --

19           THE COURT: Mobile.

20           MS. MOSES: -- Alabama. So you know, Your Honor, I  
21 would strongly urge this Court not to dismiss this case, not to  
22 transfer venue. This case was filed first you know in early  
23 August and they waited 20 days without communicating with  
24 anyone. Thank you.

25           THE COURT: Okay. Anyone else?

1 All right, let's hear from the Debtors.

2 MR. HIGGINS: Thank you, Your Honor.

3 Your Honor, first of all addressing the Motion for  
4 Stay, I want to clarify that the Motion for Stay the pleading  
5 actually seeks relief against all of the Debtors including the  
6 Houston Debtors that are not pending before this Court. I  
7 think that's probably a clear violation of the automatic stay  
8 seeking to have an injunction issued against the Debtors in  
9 Houston. We did notify counsel but they refused to withdraw or  
10 amend their pleading.

11 THE COURT: What's the corporate structure between  
12 Epic, LLC and the other Debtors?

13 MR. HIGGINS: Epic, LLC is the holding company.

14 THE COURT: All right, so it is the holding company.

15 MR. HIGGINS: Yes, Your Honor. Of the remaining  
16 Debtors, and let me clarify one comment at the very end, the  
17 other Epic Debtors there are really two other divisions. For  
18 simplicity, Your Honor, I'll call it "Ranger" which is sort of  
19 offshore and international work, "Epic" which was the plugging  
20 and abandonment, and then on the far left side was the shipyard  
21 and one other division, recycling. The two outside former,  
22 former Epic Companies were foreclosed upon by White Oak on the  
23 LLC membership interests and those have been transferred. They  
24 are no longer a part of us. We're down to --

25 THE COURT: When was that done?

1 MR. HIGGINS: In July 22<sup>nd</sup> of 2019.

2 THE COURT: Okay, so just about a month ago, six  
3 weeks ago.

4 MR. HIGGINS: Yes, ma'am.

5 THE COURT: All right, so the two non-filing Epic  
6 Companies are no longer owned by Epic?

7 MR. HIGGINS: Well, there's -- I'm sorry, I didn't  
8 mean to interrupt Your Honor.

9 THE COURT: That's all right. The two non-filing  
10 Epic Companies were foreclosed on by the investor group and  
11 those now belong to the investor group?

12 MR. HIGGINS: By our senior secured lender, White  
13 Oak.

14 THE COURT: White Oak, okay. And are there any other  
15 companies that are not in bankruptcy that are owed by Epic, LLC  
16 or related to any of these companies?

17 MR. HIGGINS: One entity, Your Honor, it had a  
18 helicopter which was sold and so we did not file that entity,  
19 Your Honor.

20 THE COURT: Okay, so it has no assets?

21 MR. HIGGINS: Correct. It's called King Air, Inc.

22 THE COURT: King Air. And it does not operate?

23 MR. HIGGINS: It does not, Your Honor.

24 THE COURT: Okay. And when was that, when was the  
25 helicopter sold?

1 MR. HIGGINS: Three weeks ago? Approximately three  
2 weeks ago, Your Honor.

3 THE COURT: All right, so about the beginning of  
4 August, first week in August?

5 MR. HIGGINS: First or second week in August,  
6 Your Honor.

7 THE COURT: Okay, and was that helicopter also  
8 secured by a type of interest, a security interest in favor of  
9 White Oak?

10 MR. TONN: Yes, Your Honor.

11 THE COURT: Okay, so the money went to White Oak?

12 MR. TONN: Yes, Your Honor.

13 THE COURT: Okay. All right, so we have one non-  
14 operating non-Debtor, two Debtors that are -- two non-Debtors  
15 that are owned now by White Oak, correct?

16 MR. HIGGINS: A number of Debtors, Your Honor.

17 THE COURT: A number, more than two?

18 MR. HIGGINS: Yes, Your Honor, in fact Your Honor  
19 I've got an org. chart in my exhibit book.

20 THE COURT: Okay.

21 MR. HIGGINS: It might be helpful for me to walk that  
22 through.

23 THE COURT: Give me the exhibit number.

24 MR. HIGGINS: And I'm happy to do this --

25 THE COURT: Is it two? Is it two, Exhibit 2?

1 MR. HIGGINS: We can start with Exhibit 2,  
2 Your Honor.

3 THE COURT: Okay.

4 MR. HIGGINS: And forgive me if I -- the lawyer and  
5 not the testifying witness, but the left-hand side if you'll  
6 see under Epic Companies, Epic Alabama Holdings and the  
7 maritime assets --

8 THE COURT: Yes.

9 MR. HIGGINS: -- those are the shipyard assets, okay,  
10 that entire group of six.

11 THE COURT: Okay.

12 MR. HIGGINS: Then in the center section of  
13 Exhibit 2, Your Honor, that's Epic as it exists today.

14 THE COURT: All right.

15 MR. HIGGINS: And then the far right side is Navarro.  
16 Epic Companies, LLC's membership interests in Epic Alabama  
17 Holdings, Epic Maritime Asset Holdings, and Navarro Capital  
18 Partners the equity interests were foreclosed on.

19 THE COURT: All right, so those are the two parts of  
20 the tree that now are owned by White Oak.

21 MR. HIGGINS: Yes, Your Honor. And then if you roll  
22 forward to Exhibit 3, White Oak transferred those LLC interests  
23 to the previous parents, Orinoco and Oakridge, and separated  
24 the debt obligations amongst the three entities.

25 THE COURT: Divided them up between the three

1 branches of the company?

2 MR. HIGGINS: Yes, ma'am.

3 THE COURT: All right, and as I'm looking at the  
4 second organizational chart the two owners of Epic, the two  
5 LLCs that are owners have now each taken a tree essentially and  
6 still own and in division the Debtors that are in bankruptcy,  
7 correct?

8 MR. HIGGINS: Yes, Your Honor, that's correct.

9 THE COURT: Okay, and --

10 MR. HIGGINS: And if you'd roll --

11 THE COURT: And did White Oak rework the debt that's  
12 owed? You said it split it up into sections. So did it  
13 release Oakridge Energy Partners, LLC from a portion of the  
14 debt, as well as Orinoco Natural Resources?

15 MR. HIGGINS: I should add that the entire family  
16 were all guarantors --

17 THE COURT: Okay.

18 MR. HIGGINS: -- and have pledged substantially all  
19 the assets to Oakridge --

20 THE COURT: I would assume -- I assumed that.

21 MR. HIGGINS: -- and a second lienholder who you'll  
22 hear about Acqua Liana.

23 THE COURT: Okay, so did -- my original question, did  
24 White Oak rework the loans so that now Oakridge Energy Partners  
25 is only responsible for let's say two-thirds of the loans, the

1 Debtor portion as well as the portion that was in the Navarro  
2 Capital Group or --

3 MR. HIGGINS: They have not done so. The two parents  
4 as I understand they're still on the debt, Your Honor, for the  
5 full amount.

6 THE COURT: Okay.

7 MR. HIGGINS: But with respect, to give you a rough  
8 idea --

9 THE COURT: Well, is it anticipated that they will be  
10 released when the Epic Companies are sold?

11 MR. HIGGINS: It's my understanding that there are  
12 discussions between the parties that in the event the Epic  
13 Companies are sold that there will be a reduction in the amount  
14 of the guarantee.

15 THE COURT: Okay, for the sale price?

16 MR. HIGGINS: No, for --

17 THE COURT: For more than the --

18 MR. HIGGINS: -- some negotiated amount between --

19 THE COURT: Okay.

20 MR. HIGGINS: -- between those parties. And we're  
21 not a party to that transaction.

22 THE COURT: So something in addition to the sale  
23 price?

24 MR. HIGGINS: Well, they'll still be on the hook --  
25 and I should say on the hook, Your Honor, they're still on the

1 hook for the Navarro and shipyard liabilities which Epic is  
2 no longer on the hook for.

3 THE COURT: Well, it sounds like that they're still  
4 on the hook for all of it. Each owner is on the hook for  
5 everything.

6 MR. HIGGINS: The owners are but --

7 THE COURT: Right, but Epic itself is only now on the  
8 hook for its share?

9 MR. HIGGINS: We were on the hook, Your Honor, for  
10 \$109 million --

11 THE COURT: Okay.

12 MR. HIGGINS: -- prior to -- well, I should back up.  
13 First lien -- I'm sorry, Your Honor, I misspoke. The first  
14 lien was 107 million prior to 7/22.

15 THE COURT: Okay.

16 MR. HIGGINS: The second lien was 125 million to  
17 Acqua Liana, and to clarify that all of the family tree in  
18 Exhibit 3 were obligated on that debt. After the foreclosure  
19 they reduced the amount that the Debtor Epic Company Group were  
20 responsible for to 45 million a first lien and 64.8 million of  
21 second lien. That has increased slightly primarily on the  
22 White Oak side because they made additional protective advances  
23 so we could pay payroll and the like prior to commencing the  
24 Chapter 11 cases and there's been a small interim draw on the  
25 DIP.

1 THE COURT: All right, so let's start with what is  
2 the estimated assets -- what are the estimated assets of Epic  
3 Companies?

4 MR. HIGGINS: Epic Companies, LLC, Your Honor, only  
5 holds the Thompson Road real estate, the Menard Road real  
6 estate --

7 THE COURT: What state are those located in?

8 MR. HIGGINS: In Louisiana.

9 THE COURT: Okay.

10 MR. HIGGINS: Down in Houma. Some coiled tubing and  
11 some accounts receivable. If you drop down -- if you turn to  
12 Exhibit 4 it may be helpful, Your Honor, that's Epic Companies,  
13 LLC. That's all that entity owns. Epic Diving & Marine  
14 Services owns the Epic Explorer, which is an offshore P&A  
15 vessel, and all of the diving equipment that had been purchased  
16 in 2018 by the company.

17 THE COURT: Okay.

18 MR. HIGGINS: Epic Applied Technologies owns all the  
19 well P&A equipment purchased from the Wright Companies. It  
20 owns the Dixon Road property.

21 THE COURT: Where is that located?

22 MR. HIGGINS: It's in Houma. It owns the Hedron  
23 derrick barge, the Arapahoe derrick barge, and the EOT cutting  
24 tools and related equipment.

25 THE COURT: And where are all those pieces of

1 equipment located?

2 MR. HIGGINS: Well backing up, the Explorer is  
3 offshore in the Gulf of Mexico.

4 MR. TONN: The Arapahoe is in Houma, Louisiana, and  
5 the Hedron is in Mobile, Alabama right now.

6 THE COURT: Okay, thank you.

7 Okay, Epic Specialty?

8 MR. HIGGINS: No real assets, Your Honor.

9 THE COURT: Okay.

10 MR. HIGGINS: San Francisco no assets, Alabama no  
11 assets, and Zuma no assets.

12 THE COURT: Okay.

13 MR. HIGGINS: So substantially by a significant  
14 margin most of the value is down in the subs that are not the  
15 subject of the involuntary.

16 THE COURT: And all of them are in Louisiana,  
17 operated out of --

18 MR. HIGGINS: Excuse me, Your Honor?

19 THE COURT: All of them operated out of Louisiana?

20 MR. HIGGINS: In various places, Your Honor, they've  
21 operated all over.

22 THE COURT: Right, well I know vessels move all over,  
23 but it looks like the two operating yards for Epic Companies,  
24 LLC are in Louisiana. And then you have equipment located to  
25 the extent that it's not out in the Gulf or operating, it's

1 coming out of Louisiana.

2 MR. HIGGINS: That's a fair statement, Your Honor.

3 THE COURT: Okay. All right, and why did Epic file  
4 in Houston?

5 MR. HIGGINS: It's our headquarters and the  
6 appropriate venue under 1409, Your Honor.

7 THE COURT: Headquarters for all --

8 MR. HIGGINS: It's where the books and records --

9 THE COURT: -- of the companies?

10 MR. HIGGINS: Yes, Your Honor.

11 THE COURT: Epic's actual headquarters is in Houston?

12 MR. HIGGINS: Yes, Your Honor.

13 THE COURT: What's located in Houston?

14 MR. HIGGINS: The company headquarters, the books and  
15 records, all of the officers.

16 THE COURT: Okay, does that include Navarro Capital's  
17 officers and records as well as the Epic Alabama Holdings  
18 Companies?

19 MR. HIGGINS: I'm sorry, you said Burroughs?

20 THE COURT: Well, no, I said Epic Alabama Holdings,  
21 LLC as well as Navarro Capital those were both located in  
22 Houston? That was the --

23 MR. HIGGINS: Yes, Your Honor, they were at the time.

24 THE COURT: And Epic Maritime Asset Holdings was also  
25 the principal place of business was Houston?

1 MR. TONN: Yes, Your Honor.

2 THE COURT: Okay. All right, and it says Navarro  
3 Capital Partners, LLC was a Texas Corporation, is that correct?

4 MR. TONN: Yes, Your Honor.

5 THE COURT: I'm looking at Exhibit 2 -- was a Texas  
6 corporation and it operated out of what facility in Texas if  
7 any, I guess I should ask where did --

8 MR. TONN: 1080 Eldridge, Your Honor, it's our home  
9 office.

10 THE COURT: Okay. And that's in Houston?

11 MR. TONN: Yes, Your Honor.

12 THE COURT: So that's the main office, Eldridge?

13 MR. TONN: Yes, Your Honor.

14 THE COURT: And the same was true for Alabama  
15 Holdings?

16 MR. TONN: Yes, Your Honor.

17 THE COURT: And were most of the assets located at  
18 that facility of Navarro Capital Partners?

19 MR. TONN: So, Your Honor, the assets of Navarro  
20 Capital Partners were the -- it's a DP2 dive -- it's a Mexican  
21 flagged DP2 dive vessel. It's in Mexico.

22 THE COURT: All right.

23 MR. TONN: The rest of those entities are Mexico  
24 operational entities.

25 THE COURT: Okay. And the foreclosure occurred in

1 Texas, is that correct?

2 MR. TONN: Yes, Your Honor.

3 THE COURT: And then for the Alabama Holdings and the  
4 Epic Maritime Asset Holdings --

5 MR. TONN: The majority --

6 THE COURT: -- I'll say "tree," where were their  
7 assets located?

8 MR. TONN: Mobile, Alabama, Your Honor.

9 THE COURT: Okay. So there was a facility in Mobile?

10 MR. TONN: Yes, Your Honor.

11 THE COURT: And what were those companies, what did  
12 they do?

13 MR. TONN: Epic Alabama Shipyard, LLC was the  
14 operating company for the shipyard in Mobile, Alabama. Epic  
15 Alabama Maritime Assets, LLC was a holding company that held  
16 the two dry docks and the real property of the shipyard which  
17 leased them back to Alabama Shipyard, LLC, and you had two  
18 holding companies right above those.

19 THE COURT: I see.

20 MR. TONN: Those were just hold companies.

21 THE COURT: I see the --

22 MR. TONN: And then below --

23 THE COURT: I'm on Exhibit 2 so I see lease of yard  
24 and acreage --

25 MR. TONN: Right.

1 THE COURT: -- and transfer of assets.

2 MR. TONN: And then --

3 THE COURT: And so these were all in Mobile?

4 MR. TONN: Yes, Your Honor.

5 THE COURT: The principal assets were in Mobile.

6 MR. TONN: Yes, Your Honor.

7 THE COURT: And the foreclosure was in Texas?

8 MR. TONN: Yes, Your Honor.

9 THE COURT: Okay, go on.

10 MR. TONN: Alabama Recyclers and Epic Recycling  
11 Services it's two different entities but it's the recycling  
12 business. Their operations are in Mobile, Alabama, and on the  
13 Menard Road property in Houma, Louisiana.

14 THE COURT: Okay. All right, so other than books and  
15 records and individuals for Epic Companies, LLC, is there  
16 anything, any property or equipment of Epic or any of Epic's  
17 subsidiary corporations in Texas?

18 MR. HIGGINS: The office lease on Eldridge is at Epic  
19 Companies, LLC, Your Honor.

20 THE COURT: Okay. How many employees are at Epic  
21 Companies, LLC?

22 MR. HIGGINS: Down to 15, Your Honor.

23 THE COURT: Okay. All right, there's been a  
24 representation, Mr. Higgins, or I don't know if I can say it's  
25 a representation, a rumor has it that all of the Epic Companies

1 subsidiary companies I should say have been closed down and  
2 are not operating, is that true?

3 MR. HIGGINS: Your Honor, we entered into a lease for  
4 two of the vessels and so we have lease income coming in from  
5 Alliance. And then we have the Epic Explorer is still working.

6 MR. TONN: Correct, Your Honor. It's under lease  
7 with Triton Diving Services.

8 THE COURT: All right, so it was on a lease before  
9 Epic filed for bankruptcy relief?

10 MR. TONN: No, Your Honor, it was -- well, yes, it  
11 was on a lease before we filed, yes, Your Honor.

12 THE COURT: Okay. All right, and the rest of the  
13 facilities in Houma and in Belle Chasse do they have employees?  
14 Are they operating? What's happening there?

15 MR. TONN: We have two employees at the Belle Chasse  
16 -- two payrolled employees and a 1099 contractor at the  
17 facility in Belle Chasse for IT and as custodian of the  
18 equipment, and then we have approximately three people in Houma  
19 for HR and custodians of the equipment. The folks in Houma  
20 were only -- the HR people in Houma were only there because we  
21 still have people on the Hedron which was in Mobile, Alabama.  
22 As of September 1<sup>st</sup> all those people were hired by Alliance  
23 Offshore. So, Houma is being reduced down to just the  
24 equipment custodians.

25 THE COURT: Okay. So that will be -- you said one

1 person or two people?

2 MR. TONN: So that will be probably two people left  
3 there.

4 THE COURT: Two people, okay. And all of the other  
5 employees were let go when?

6 MR. TONN: Let me back up. The majority of the  
7 employees were let go on July 15<sup>th</sup>, that Monday-- 10<sup>th</sup>, 11<sup>th</sup> --

8 THE COURT: 7/15?

9 MR. TONN: 2019.

10 THE COURT: Approximately. That was before White Oak  
11 foreclosed on the other two branches of the company, correct?

12 MR. TONN: Just prior to, Your Honor.

13 THE COURT: Okay.

14 MR. TONN: They began sweeping our bank accounts  
15 July 19<sup>th</sup> and the foreclosure on July 22<sup>nd</sup>.

16 THE COURT: Okay, so on the 19<sup>th</sup> they grabbed the --  
17 and I believe I read in the pleadings that Epic Companies, LLC  
18 is the company that manages the accounts, the cash for all the  
19 subsidiaries, is that correct?

20 MR. TONN: Yes, Your Honor.

21 THE COURT: Okay. All right, there was a  
22 representation that as early as six weeks ago some of the Epic  
23 -- Epic was still doing business, is that correct, and  
24 executing documents? I think Mr. Clements represented that the  
25 Goliath had actually signed some contracts?

1 MR. HIGGINS: Your Honor, I thought he clarified  
2 that was in April.

3 MR. CLEMENTS: The letter of solvency issued by the  
4 Chief Executive Officer of Epic Companies was in April --

5 THE COURT: Okay.

6 MR. CLEMENTS: -- when they represented to my client  
7 that they could pay their debts as an inducement to enter into  
8 the charter agreement.

9 THE COURT: Okay.

10 Now tell me what happened, Mr. Higgins, on Friday  
11 when you had your first day hearings.

12 MR. HIGGINS: Well, it was a week ago Monday night,  
13 Monday afternoon we started filing, Your Honor. Prior to that,  
14 let me back up, even prior to the commencement of the  
15 involuntary we had started trying to work with White Oak on an  
16 orderly wind down of the operations. As Your Honor well knows,  
17 we took time; we were working on post-petition financing, first  
18 day pleadings, wage orders. We were trying to right size the  
19 staff. We retained Mr. Varsalone to come in and start getting  
20 control of the cash and the operations. And then the  
21 involuntary was filed. We continued to finalize the DIP with  
22 White Oak. We filed on Monday night a week ago, whatever that  
23 was, the 26<sup>th</sup>. The first day hearings were the next afternoon  
24 at I think it was two o'clock, exactly seven days ago. We went  
25 forward. The court entered our wages orders, interim cash

1 collateral, and DIP order, standard joint administration and  
2 the like orders were entered on that day. And we have those in  
3 the binder in case Your Honor wanted to see them.

4 THE COURT: Okay. No order on the sale yet, correct?

5 MR. HIGGINS: No, Your Honor, the only thing that's  
6 been set is a hearing to consider bid procedures. And I should  
7 add because there was a comment earlier, Your Honor, we took a  
8 lot of time to work through and, frankly, push back on White  
9 Oak. We've built in appropriate challenge periods in the DIP  
10 financing motions. We have got permission from White Oak to  
11 retain a broker even though they've agreed to serve as our  
12 stalking horse. And this is all public, Your Honor, it's in  
13 the pleadings. And we are planning to go forward and try to  
14 market the assets as best we can, wind this estate down in an  
15 orderly fashion, and we're also trying to get the U.S. Trustee  
16 to quickly form a committee so we can begin the negotiations  
17 with White Oak to try to come up with the best resolution we  
18 can for the unsecured creditors. I could not put anything in  
19 paper saying how much we are going to offer them, because  
20 frankly we don't know.

21 THE COURT: You said they're a stalking horse. What  
22 is their bid as the stalking horse?

23 MR. HIGGINS: The sales price is it's a combination  
24 bid, Your Honor, of 40 million credit bid, and 35 million of  
25 assumed debt.

1 THE COURT: And the assumed debt is the second?

2 MR. HIGGINS: I'm sorry, Your Honor, I wrote the  
3 wrong numbers down. It's 48.9 credit and 40 assumption.

4 THE COURT: And 40 is the second debt?

5 MR. HIGGINS: Yes, Your Honor.

6 THE COURT: So nothing for unsecureds?

7 MR. HIGGINS: Not based on the current debt levels  
8 under that credit bid, Your Honor.

9 THE COURT: Okay. And what about for -- and I think  
10 you had said to me that the debt is now 45 million on the first  
11 level and 64.8 on the second.

12 MR. HIGGINS: By the time we filed, Your Honor, that  
13 was the 722 numbers just to give the Court the full record. By  
14 the time we filed last Monday afternoon it was approximately  
15 50 million on the first and 65 million was from accrued  
16 interest on the second.

17 THE COURT: The second, okay. So no carve out for  
18 unsecureds in this. What's the carve out for administrative?

19 MR. HIGGINS: In accordance with budgeted expenses.

20 THE COURT: It has to be for legal. What's the  
21 budget for legal? Legal, and accounting probably, and  
22 marketing?

23 MR. VARSALONE: For the record, Your Honor, Jeff  
24 Varsalone, the Debtor's Chief Restructuring Officer. I  
25 negotiated the budget on behalf of the Debtors with White Oak.

1 In the budget, in the 13-week budget which concludes the week  
2 ending November 22<sup>nd</sup>, our total bankruptcy expenses which  
3 includes professional fees, naturally U.S. Trustee fees,  
4 expenses for a broker and related marketing expenses so we can  
5 try to maximize value to unsecured creditors, the total fees in  
6 the budget are approximately three and a half million, and we  
7 will have accrued but unpaid of approximately 359,000 which we  
8 are including in the budget to make sure we're administratively  
9 solvent, Your Honor.

10 THE COURT: Do you already have a broker lined up for  
11 this?

12 MR. VARSALONE: I have. I personally have been in  
13 discussions with a broker for the vessels and a broker for the  
14 other business lines and we're in the process of doing their  
15 retention papers, Your Honor.

16 THE COURT: Okay.

17 MR. HIGGINS: Your Honor, we solicited proposals from  
18 several and we've narrowed that down and selected one.

19 THE COURT: All right, my other question is in the  
20 pleadings you indicated that this was going to be sold as a  
21 going concern. It doesn't sound like they're going to be sold  
22 as a going concern.

23 MR. VARSALONE: Sure, Your Honor. This is kind of a  
24 unique situation in that the assets are actually operating, so  
25 they're operating under leases so --

1 THE COURT: Well, two of the assets are, but there  
2 are --

3 MR. VARSALONE: Well, and the Wrights Service  
4 business is also operating under a lease, under an equipment  
5 lease. So while the Debtors are in a wind down mode, the  
6 assets are operating and so bidders, third party bidders we're  
7 structuring a process with third party bidders that are  
8 actually going to be looking at these business lines as  
9 operating units rather than strictly bidding on the assets in a  
10 liquidation scenario. So --

11 THE COURT: All right, so you're anticipating that  
12 the bid will include the real estate and equipment that's  
13 sitting in Belle Chasse and in Houma?

14 MR. VARSALONE: It may, Your Honor. Frankly, they  
15 think this is going to be a situation where we're going to take  
16 an apple, an orange, and a pear and try and make everything  
17 apples to apples what bidders --

18 THE COURT: So you're contemplating bids coming in on  
19 different assets?

20 MR. VARSALONE: On different assets, exactly,  
21 Your Honor. And we're structuring it so that the vessels will  
22 be -- we have a specialist that is going to act as the broker  
23 on the vessels to maximize the value out of those assets. We  
24 have a different broker that's going to be working on the  
25 Wright's business to maximize value of those assets. As the

1 CRO I may also separately and frankly will be soliciting bids  
2 to make sure that we're maximizing value, again to try and take  
3 an apple, an orange, or pear and maximize value.

4 THE COURT: Okay. All right, thank you.

5 MR. VARSALONE: Thank you, Your Honor.

6 THE COURT: All right, so what we have, if I'm  
7 understanding this correct, Mr. Higgins, is I have a company,  
8 Epic Companies, LLC, that has an office location in Houston  
9 with 15 employees. It owns eight other entities that are in  
10 bankruptcy, one that is not, King Air, because it has no assets  
11 and sold its helicopter its only asset a few weeks ago. The  
12 other eight companies all operated out of Louisiana. The real  
13 estate and assets of all the companies are principally located  
14 in Louisiana. The operations have essentially ceased for all  
15 of the companies with the exception that there are two vessels  
16 that are operating under leases now --

17 MR. HIGGINS: Three, Your Honor.

18 THE COURT: -- that are bringing in revenue.

19 MR. HIGGINS: Three vessels, Your Honor.

20 THE COURT: Three vessels? Okay.

21 MR. HIGGINS: And just to clarify, there are three  
22 vessels being sold as going concern, Your Honor, that's the  
23 goal.

24 THE COURT: Well, --

25 MR. HIGGINS: The business unit.

1 THE COURT: -- I mean I guess you and I can argue  
2 about whether selling three vessels as a going concern and  
3 selling a company as a going concern are two different things.

4 MR. HIGGINS: Understood, Your Honor.

5 THE COURT: So I appreciate what's been explained to  
6 me that the process to try to liquidate these assets is going  
7 to encompass either the vessels and their real estate holdings  
8 and equipment, or the company and its equipment, or it may be  
9 piecemeal depending on what brings the best price.

10 MR. HIGGINS: That's correct, Your Honor, and I think  
11 it's important to note that you know White Oak and the second  
12 lienholder feel very strongly that this is going to realize  
13 much more in value than if we just shut this down and turned it  
14 into an involuntary and liquidate these assets.

15 THE COURT: Well, I don't know because it's an  
16 involuntary it has to shut down. Just because it's an  
17 involuntary doesn't mean that it can't move forward under the  
18 same process. The real question it seems at this point is  
19 where does this happen; does it happen in Louisiana or does it  
20 happen in Houston? And the creditors have filed in Louisiana.  
21 They're not insubstantial. They are 30 -- and you've admitted  
22 in your pleadings there are 30 million in those, right?

23 MR. HIGGINS: And the 30 goes across the family,  
24 Your Honor. They're not all of Epic holdings.

25 THE COURT: How much does Epic have in unsecured?

1 MR. HIGGINS: We're working through that,  
2 Your Honor. As many companies that started in 2018 and the  
3 conditions as they are today they did not fully integrate  
4 everything and all the books and records and that's been part  
5 of Mr. Varsalone and his staff trying to unwind this and  
6 unscramble this egg, Your Honor.

7 THE COURT: I think what concerns me is that the  
8 tenor of the pleadings that were filed opposing the case being  
9 in Louisiana seem to indicate that these creditors had "jumped  
10 the gun," or that were somehow you know flies in the ointment  
11 of a plan that the Debtor was putting into place maybe I think  
12 you've said as early as July. I don't really see it that way  
13 particularly when the major secured creditors and Debtor are  
14 working to maximize values for the secured creditor, guarantors  
15 included who own the companies. The unsecureds generally do  
16 get left out of the mix and by the time the package is  
17 presented to a court or a filing is made it's almost a prepack.  
18 It's not quite a prepack, but it's almost a prepack because  
19 everything has been tied up and there's no wiggle room or  
20 negotiating room for an Unsecured Creditors' Committee to  
21 obtain some portion of the value of what's going on with the  
22 company.

23 Now, I also admit is that looking at these numbers it  
24 seems that there is going to have to be a very high sale in  
25 order for the unsecureds to be in the money as I might say.

1 MR. HIGGINS: Your Honor, if I could add I  
2 understand the comments on jumping the gun. We recognize that  
3 we are fiduciaries for all the creditors of this estate. We  
4 are not here just working for the senior lender or the junior  
5 lienholder. We are going to work with the Committee. We are  
6 going to do our best to get a recovery for the unsecured  
7 creditors in this case whether it be in a liquidating trust  
8 with preference claims, you know there's some unencumbered  
9 assets, whatever we may be able to do. If they want to  
10 investigate the liens and they have claims or causes of action,  
11 that's generally where we find we get a bigger recovery for  
12 unsecured creditors. Your Honor has been doing this a long  
13 time; you know sort of how the game is played. Am I standing  
14 before you today saying I've carved out \$5 million for the  
15 unsecureds? White Oak hasn't given that to me yet.

16 But we believe it's a process and we think it will be  
17 a fair and open process and that's what we've tried to do in  
18 all of our papers. In our first day declarations the first  
19 thing we did we went through all of the transactions, all of  
20 the transfers and we walked to the Houston court through  
21 every --

22 THE COURT: Mr. Landry, please sit down.

23 MR. HIGGINS: -- through everything because we did  
24 not want to be accused of something going down in the dark of  
25 night and then six months from now when the Creditors'

1 Committee does an investigation and says, aha, why didn't you  
2 tell me. So that's where we are, Your Honor.

3 THE COURT: So you're saying that you're comfortable  
4 that the security interests in favor of White Oak are  
5 bulletproof?

6 MR. HIGGINS: I will tell this Court that we did a  
7 lien search prior to the commencement of the case and they are  
8 properly perfected in the collateral.

9 THE COURT: Okay.

10 MR. HIGGINS: And we also checked the ship mortgages,  
11 Your Honor.

12 THE COURT: Okay, so as far as you know all of the  
13 collateral interests are valid and White Oak stands in a  
14 position where you know based on what you've told me it may or  
15 may not get taken out by what's being proposed; it's really the  
16 second holder that's going to take the haircut on this one?

17 MR. HIGGINS: I think that's right, Your Honor. And  
18 to clarify for the record, the Thompson Road and Menard  
19 properties were unencumbered prior to the commission of the  
20 case.

21 THE COURT: Okay.

22 MR. HIGGINS: I just want to fully disclose.

23 THE COURT: So those properties are available for  
24 unsecured?

25 MR. HIGGINS: They are proposed to be picked up under

1 the DIP by White Oak as additional collateral.

2 THE COURT: And that has not been approved yet or has  
3 been approved?

4 MR. HIGGINS: On an interim subject to final and  
5 we've already had discussions about that so --

6 THE COURT: Who's had discussions about what?

7 MR. HIGGINS: With White Oak and we know the  
8 Committee is going to raise the issue, Your Honor.

9 THE COURT: Yeah, I would think so. But there's no  
10 Committee right now. When is your bidding procedures and your  
11 sale procedures when are those up for hearing?

12 MR. HIGGINS: Your Honor, if you turn to Exhibit 1 it  
13 may be helpful. This is simply a short timeline of the Debtor  
14 entities, the petition date, what happened on the 27<sup>th</sup>. And  
15 then turn to Page 2, the procedures hearing is set for the  
16 10<sup>th</sup>, cash management and final DIP on the 16<sup>th</sup>, and entry of  
17 the -- proposed entry of the sale order is not the end of  
18 September, Your Honor, it's the end of October.

19 THE COURT: But that's approving the sale. That's  
20 under the terms that will be approved by the court before that,  
21 correct?

22 MR. HIGGINS: The terms of what?

23 THE COURT: You have the entry of an order approving  
24 sale. That's after you've done all of your marketing and you  
25 have your provisions so the DIP order it's really the 16<sup>th</sup> that

1 is going to give White Oak a security interest in  
2 unencumbered assets.

3 MR. HIGGINS: That's right, Your Honor, absent a  
4 continuation of that hearing which is normally the first phone  
5 call I get when the Committee gets formed.

6 THE COURT: And what does the U.S. Trustee's Office  
7 in Houston say about forming the Committee?

8 MR. HIGGINS: They've already sent out  
9 questionnaires, Your Honor. They as of Friday afternoon or  
10 over the weekend they already had at least one or two  
11 acceptances and I did not catch them this morning to find out  
12 where they were, Your Honor. But as I've said I've spoken to  
13 them directly and requested they form it immediately.

14 THE COURT: Okay. Anything else you'd like to tell  
15 me?

16 MR. HIGGINS: Your Honor, I think we did say this in  
17 the papers, but the only thing I think very, very important  
18 point is we've got six Debtors in Houston. We've got this was  
19 the first filed case which you've so noted, and we've got a  
20 provision in the DIP order that it's a default in the event the  
21 case is not dismissed or transferred back to Houston.  
22 Everything gets shut down if this DIP gets triggered. All our  
23 employees get sent home and --

24 THE COURT: I love those provisions.

25 MR. HIGGINS: I understand, Your Honor.

1 THE COURT: Put a gun to the Judge's head to see if  
2 they're willing to blink.

3 MR. HIGGINS: Your Honor, the provision -- I'll stop  
4 there, Your Honor.

5 THE COURT: Thanks. Don't patronize me on that one.

6 MR. HIGGINS: No comment on that, Your Honor.

7 Your Honor, the rest of the arguments I don't think  
8 the Court should consider granting a stay over a proceeding  
9 without evidence. I recognize we've tried to tell the whole  
10 story to you today and unless the Court has any questions I'll  
11 sit down.

12 THE COURT: Mr. Cerone, you want to --

13 MR. CERONE: Nothing further, --

14 THE COURT: You have nothing further?

15 MR. CERONE: -- everything is in our papers,  
16 Your Honor.

17 THE COURT: Okay. Mr. Higgins, is it your opinion  
18 that this proces of marketing the companies is in the best  
19 interest of White Oak that it will obtain a price which you  
20 believe to be higher than they would be able to obtain in a  
21 foreclosure?

22 MR. HIGGINS: Not being a ship broker it is my  
23 opinion just based on experience, Your Honor, yes. And I  
24 should add there's a -- White Oak has entered into a back-to-  
25 back transaction for a portion of substantially all the assets

1 to sell to Alliance, and so they have already been marketing  
2 to other third parties. And so I think for the entire process  
3 to go forward it's in the best interest of White Oak.

4 THE COURT: How is that going to work with the  
5 bidding procedures if they've already worked out an arrangement  
6 on the back end with three different entities what is the  
7 incentive for those entities to come in and bid against White  
8 Oak in this process?

9 MR. HIGGINS: We have -- well, one, Your Honor, I  
10 assume there's a price where White Oak would be more than happy  
11 to sell to that higher bidder, but number two we have White Oak  
12 on the hook to credit bid at that amount. So whether or not  
13 they're successful closing the Alliance sale is not our risk,  
14 Your Honor.

15 THE COURT: Okay, but the Alliance sale -- if the  
16 Alliance sale is higher than their credit bid what happens to  
17 the difference?

18 MR. HIGGINS: Well, first of all, Your Honor it's not  
19 higher.

20 THE COURT: Okay, that's important.

21 MR. HIGGINS: And that was important for the Debtor  
22 to understand. In fact we -- I don't mind telling the Court we  
23 insisted upon seeing those Asset Purchase Agreements before we  
24 would execute our Asset Purchase Agreement.

25 THE COURT: Okay.

1 MR. HIGGINS: We did not want to be -- discover  
2 that we had been flipped.

3 THE COURT: So you have a reasonable belief that the  
4 third party -- I'll say the third parties coming in to buy from  
5 White Oak are going to purchase for equal to or less than what  
6 White Oak has committed to bid for in this process as a  
7 stalking horse?

8 MR. HIGGINS: That's correct, Your Honor.

9 THE COURT: Okay.

10 MR. HIGGINS: And in fact, Your Honor, we actually  
11 attached not just our APA, but the White Oak APA to our Motion  
12 to Approve the Sale, again trying to be transparent.

13 THE COURT: Okay. What bothers me about this entire  
14 transaction as you can well imagine is the encumbrance of the  
15 two Louisiana parcels under the DIP. I think if I could get a  
16 representation from White Oak that they were willing to forego  
17 taking a lien on those two parcels so that there would be some  
18 assets that would be available to unsecured creditors that  
19 might go a long way towards my decision. You want to take a  
20 minute and talk to them about that?

21 MR. HIGGINS: Happy to do so, Your Honor.

22 THE COURT: Okay, why don't we take a little recess?

23 (Recess from 1:57 p.m., until 3:00 p.m.)

24 THE CLERK: Continuation of the proceedings  
25 September 3<sup>rd</sup>, 2019, Case Number 19-12086, Epic Companies, LLC.

1 THE COURT: Mr. Higgins?

2 MR. HIGGINS: Thank you, Your Honor. We appreciate  
3 the break and I'm happy to report that we think it was  
4 productive and I'm going to let Mr. Cerone address the Court  
5 and make some statements.

6 THE COURT: Okay, Mr. Cerone?

7 MR. CERONE: Thank you again, Your Honor.

8 During the break I've had an opportunity to speak  
9 with my co-counsel at Porter & Hedges and representatives of  
10 our client, White Oak, and just a couple of parameters,  
11 Your Honor. I understand that you're talking about the  
12 Thompson and Menard properties. There are actually four  
13 parcels. I think you might have mentioned two, but it's two  
14 different streets but there are actually four parcels.

15 THE COURT: Okay, thank you.

16 MR. CERONE: Those parcels are currently encumbered  
17 by the interim DIP financing order in favor of White Oak, all  
18 right. White Oak recognizes or believes that there's a synergy  
19 that can be -- the administration that can be saved by having  
20 these proceedings all in one place. So if Your Honor were  
21 inclined to either dismiss or transfer, either one, in that  
22 event my client would be willing to release the liens that are  
23 currently in the interim DIP financing order on those four  
24 parcels of property and not seek to encumber them in a final  
25 DIP order.

1 THE COURT: Thank you very much, Mr. Cerone.

2 MR. CERONE: You're welcome.

3 THE COURT: Okay, does anyone else want to be heard  
4 on this? Mr. Landry?

5 MR. LANDRY: Judge, you asked whether the liens were  
6 bulletproof and what we haven't talked about is the vessels.  
7 These vessels are I believe one is U.S. flagged but I don't  
8 know -- I don't believe the other two are. And a lot of the  
9 creditors who have unsecured claims also have maritime lien  
10 claims. So to the extent that these vessels are encumbered by  
11 preferred ship mortgages under the laws of other nations, those  
12 preferred ship mortgages are going to be inferior to any  
13 necessities provided to the vessels in the United States.

14 THE COURT: I understand that. I assume that will  
15 get taken care of on a distribution under the sale orders.  
16 That would be something that the creditor interests need to pay  
17 close attention to both for the DIP financing as well as for  
18 any provisions on sale. I was really speaking more of there  
19 being an issue with White Oak. And, frankly, that's not  
20 something obviously I'm going to decide today or would decide  
21 today. I was just trying to elicit a representation from  
22 Debtor's counsel that they had actually reviewed the security  
23 interests and believed that they were enforceable. That's not  
24 to say as Mr. Higgins said that the Committee, the Unsecured  
25 Creditors' Committee in the case, or even a creditor

1 individually won't have a challenge period because I'm being  
2 told that even under the bid procedures there's going to be a  
3 challenge period.

4 MR. LANDRY: Judge, again those creditors are the  
5 little guys down in Houma --

6 THE COURT: I know.

7 MR. LANDRY: -- who are going to have to -- if you  
8 don't consider moving this case here are going to have to go  
9 hire lawyers in Houston at I would be a significantly greater  
10 hourly rate than is paid here.

11 The other question is assuming that -- and you know  
12 taking Mr. Cerone and his clients at face value, what happens  
13 if they change their mind tomorrow?

14 THE COURT: No, it's going to be a condition of this  
15 if I do anything.

16 MR. LANDRY: Judge --

17 THE COURT: And Mr. Cerone is nodding his head that  
18 his client has agreed that that's the deal.

19 MR. LANDRY: Judge, all I can say is that the people  
20 that are going to get hurt if this case stays in Houston are  
21 Louisiana people.

22 THE COURT: I know.

23 MR. LANDRY: The reason why we filed here was because  
24 they wouldn't talk to us and they now hit us in less than a  
25 week with that.

1 THE COURT: Well, let's me say a couple of things  
2 to that, Mr. Landry. I do appreciate what you're saying and I  
3 am -- that's part of why I made the request of White Oak and  
4 the Debtor's counsel because I know that the unsecureds tend to  
5 get swept you know under the rug in these types of deals. And  
6 I think your taking the leap and filing the involuntary was you  
7 know a good thing to basically give your client base an  
8 opportunity to participate. Having said that, you're going to  
9 need a lawyer counsel that can go through stacks of papers  
10 because just whether it's here or there you're still going to  
11 have inches of paper dumped on you on this.

12 MR. LANDRY: And I can do that here, Judge. I can't  
13 practice in Houston.

14 THE COURT: Well, what I really see happening in this  
15 case because the unsecured or at least a group of the  
16 unsecureds are organized including Goliath which has a big  
17 unsecured claim is that the U.S. Trustee's Office hopefully  
18 will appoint an Unsecured Creditors' Committee very quickly  
19 that you will be members of and your counsel will be paid by  
20 the Debtor under that provision which saves them some money.  
21 One of you can act as counsel. I know that different firms in  
22 front of me sitting in front of me have Houston offices or  
23 certainly have the ability to go to Houston. So that would  
24 help.

25 I will say that this would be a very easy case for

1 me in my mind to keep in this court given that the creditors,  
2 the unsecured creditors are here, or the number of creditors  
3 are here. The operations were here. The property is here  
4 except for movables that are actually out on the high seas or  
5 in the Gulf. So that's an easy one. The fact that the other  
6 subsidiaries are subsidiaries of this parent makes it easier to  
7 keep it here.

8           However, given that the Debtor has come up with a  
9 scheme if you will to liquidate assets in an orderly fashion  
10 and has obtained fairly significant concessions from its lender  
11 in terms of credit bidding and what will have to be bid on the  
12 property regardless of who will be there and they are willing  
13 to concede some unsecured assets will remain unsecured for the  
14 unsecured creditors. They are paying administrative expenses  
15 so that means that money should come to the unsecured creditors  
16 as long as the unsecured creditors, here's a big hint,  
17 participate in the Houston case and make sure that that stays  
18 the way it is and that the administrative costs come out of the  
19 carve out that's been negotiated and don't glom onto the other  
20 unsecured assets. I think that that concession is worth  
21 basically paying for the venue is that they're asking that the  
22 venue be in Houston.

23           I will consent to the transfer of this case to  
24 Houston, confirm the filing of the petition, so it will relate  
25 back to the original filing date. It will go to Houston with

1 the provision that has been agreed to by White Oak that the  
2 unsecured -- I should say unencumbered assets that are in  
3 Louisiana located in Houma and Belle Chasse, that's real  
4 property described as four parcels will remain so under the DIP  
5 financing and that White Oak will not seek to encumber those  
6 assets to cover any of its expenditures or its DIP financing.  
7 So with that it will transfer.

8           Anything else I need to do? I can grant you by the  
9 way the Motion to Join, which was filed by one of the other  
10 creditors. Is there anything else?

11           MR. LANDRY: Nothing that I have, Judge. I'm  
12 assuming you're going to wish an order prepared.

13           THE COURT: Yes.

14           MR. LANDRY: I think that everyone would like to take  
15 a look at that.

16           MR. HIGGINS: We're happy to circulate.

17           THE COURT: My last day here is Friday.

18           MR. HIGGINS: We will get it to you promptly,  
19 Your Honor.

20           THE COURT: Okay.

21           MR. HIGGINS: Your Honor, a couple -- Mr. Cerone said  
22 "co-counsel Porter Hedges." I think he meant Paul Hastings,  
23 just for the record.

24           THE COURT: Okay.

25           MR. HIGGINS: Number two, Your Honor, I just wanted

1 to point out we did anticipate that there would be some  
2 maritime liens and particularly with a foreign flagged vessel  
3 they might try to prime the ship mortgage which they may be  
4 entitled to do. We're already taken care of that in the DIP  
5 and the Asset Purchase Agreement.

6 THE COURT: Well, I assume that under any provision  
7 particularly under the Southern District of Texas law I'm  
8 thinking Continental, old cases, but that that ranking will  
9 have to occur after the sale if it can't be solved before.

10 MR. HIGGINS: Correct, Your Honor.

11 THE COURT: There will be a reservation in the sale  
12 documents.

13 MR. HIGGINS: We'll have to build a mechanism to take  
14 care of that, Your Honor, --

15 THE COURT: Okay.

16 MR. HIGGINS: -- in the event we've got disputes.  
17 And then, Your Honor, just for the sake of the record, can the  
18 Court deny the Motion to Stay or --

19 THE COURT: Yes, I can deny the Motion to Stay.

20 MR. LANDRY: Just one order though, Judge, right?

21 THE COURT: Excuse me?

22 MR. LANDRY: Just one order? You don't need two  
23 orders?

24 THE COURT: I don't need two orders. You can put  
25 them --

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MR. HIGGINS: That's fine, Your Honor.

THE COURT: Okay. Thank you all very much.

MR. HIGGINS: Thank you very much, Your Honor.

MR. LANDRY: Thank you, Judge.

MR. CERONE: Thank you, Your Honor.

THE COURT: Court is adjourned.

\* \* \* \* \*

C E R T I F I C A T E

I certify that the foregoing is a correct transcript from the electronic sound recording of the proceeding in the above-entitled matter.

/S/Ann B. Schleismann  
ANN B. SCHLEISMANN

9/9/19  
Date